NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2011-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2011-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (ii) interest on the Issue 2011-1B Bonds and the Issue 2011-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2011-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), and (iv) interest on the Issue 2011-1A Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2011-1 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2011-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Homeownership Program Bonds
$97,105,000 Issue 2011-1A (AMT)
$35,950,000 Issue 2011-1B (Non-AMT)
$8,200,000 Issue 2011-1C (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2011-1A Bonds (the "Issue 2011-1A Bonds"), the Issue 2011-1B Bonds (the "Issue 2011-1B Bonds") and the Issue 2011-1C Bonds (the "Issue 2011-1C Bonds" and, together with the Issue 2011-1A Bonds and the Issue 2011-1B Bonds, the "Issue 2011-1 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F - "Book-Entry-Only System." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on July 1, 2012, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption at par prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are general obligations of the Tennessee Housing Development Agency ("THDA") payable from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds and other funds of THDA legally available therefor.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about December 1, 2011.

RBC CAPITAL MARKETS

BofA MERRILL LYNCH **MORGAN KEEGAN**
CITIGROUP **RAYMOND JAMES & ASSOCIATES, INC.**
M R BEAL & COMPANY **WILEY BROS.—AINTREE CAPITAL, LLC**

November 9, 2011

† Interest on the Issue 2011-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOMEOWNERSHIP PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$97,105,000 Issue 2011-1A (AMT)

$56,000,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP[(1)] Number	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2012				$2,880,000	1.000%	88045RWJ7
2013	$1,780,000	1.200%	88045RVT6	3,060,000	1.400	88045RVU3
2014	2,890,000	1.850	88045RVV1	2,505,000	2.000	88045RVW9
2017	0	0		2,800,000	3.200	88045RWK4
2018	3,550,000	3.450	88045RVX7	4,435,000	3.500	88045RVY5
2019	4,415,000	3.750	88045RVZ2	4,735,000	3.750	88045RWA6
2020	3,305,000	4.050	88045RWB4	4,235,000	4.050	88045RWC2
2021	5,405,000	4.125	88045RWD0	3,300,000	4.125	88045RWE8
2022	3,310,000	4.350	88045RWF5	3,395,000	4.350	88045RWG3

$41,105,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2023	$6,895,000	4.500%	88045RWL2
July 1, 2031 (PAC)	34,210,000	4.500	88045RWH1

$35,950,000 Issue 2011-1B (Non-AMT)

$21,340,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP[(1)] Number	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2013	$1,180,000	0.600%	88045RWM0	0	0%	
2014	935,000	1.150	88045RWN8	1,410,000	1.250	88045RWP3
2015	3,595,000	1.650	88045RWQ1	3,270,000	1.750	88045RWR9
2016	3,270,000	2.050	88045RWS7	3,355,000	2.150	88045RWT5
2017	2,750,000	2.350	88045RWU2	0	0	
2018	235,000	2.600	88045RWV0	0	0	
2020	1,340,000	3.200	88045RWW8			

$14,610,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2025	$7,480,000	4.000%	88045RWX6
July 1, 2033	7,130,000	4.500	88045RWY4

$8,200,000 Issue 2011-1C (Non-AMT)[†]

$8,200,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2026	$2,665,000	4.000%	88045RWZ1
July 1, 2031	1,325,000	4.375	88045RXA5
July 1, 2036	1,655,000	4.600	88045RXB3
July 1, 2042	2,555,000	4.650	88045RXC1

PRICE OF ISSUE 2011-1A BONDS DUE JULY 1, 2031 (PAC): 103.623%

PRICE OF ALL REMAINING ISSUE 2011-1 BONDS: 100.000%

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(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

† Interest on the Issue 2011-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisor

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$35,950,000 Issue 2011-1B (Non-AMT)
$8,200,000 Issue 2011-1C (Non-AMT)[†]

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Homeownership Program Bonds, Issue 2011-1A in the aggregate principal amount of $97,105,000 (the "Issue 2011-1A Bonds"), the Issue 2011-1B in the aggregate principal amount of $35,950,000 (the "Issue 2011-1B Bonds") and the Issue 2011-1C in the aggregate principal amount of $8,200,000 (the "Issue 2011-1C Bonds" and, together with the Issue 2011-1A Bonds and the Issue 2011-1B Bonds, the "Issue 2011-1 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Homeownership Program Bond Resolution, adopted by THDA on June 6, 1985, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on September 27, 2011, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on November 9, 2011 (the "Issue 2011-1 Supplemental Resolution"). The General Resolution and the Issue 2011-1 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2011-1 Bonds on September 27, 2011. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of September 30, 2011 (unaudited), Bonds in the aggregate principal amount of $1,460,335,000 were outstanding under the Resolution, bonds in the aggregate principal amount of $72,195,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution") and bonds in the aggregate principal amount of $584,730,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution").

Bonds issued under the Resolution, including the Offered Bonds, are and will be general obligations of THDA, payable from (i) the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Debt Service Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS" and (ii) other funds of THDA legally available therefor. All bonds issued under the Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

The revenues and assets of THDA pledged under the Resolution are not pledged as security for bonds issued under the 1974 General Resolution or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution and the 2009 General Resolution, respectively, are not pledged as security for the Offered Bonds. See Appendix E for a description of the 1974 General Resolution and the 2009 General Resolution.

[†] Interest on the Issue 2011-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of September 30, 2011 (unaudited), 18,795 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $1,474,417,880. Based on the outstanding principal balance of Program Loans as of September 30, 2011, approximately 63.47% were FHA insured, approximately 3.24% were VA guaranteed, approximately 19.18% were insured by private mortgage insurance companies, approximately 10.74% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 3.37% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

THDA expects to use the proceeds from the issuance of the Issue 2011-1A Bonds and the Issue 2011-1B Bonds to refund Issue 2001-1 Bonds, Issue 2001-2 Bonds, Issue 2001-3 Bonds, Issue 2002-1 Bonds, and Issue 2002-2 Bonds, all issued and outstanding under the General Resolution (the "Prior Bonds"). As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $107,000,000 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "HOMEOWNERSHIP PROGRAM LOANS—Description of the Transferred Program Loans" for information about the Transferred Program Loans In addition, Debt Service Reserve Fund investments and Revenue Fund investments allocable to the Prior Bonds in the projected amount of approximately $39,000,000 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on January 1, 2012 at a redemption price of 100% plus accrued interest. No assurance can be provided that each such issue will actually be refunded.

THDA expects that the proceeds of the Issue 2011-1C Bonds, and a contribution from THDA, will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Debt Service Reserve Fund, if required. See "APPLICATION OF BOND PROCEEDS" The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "PROGRAM LOANS – Description of Program Loans" and in Appendix G.,

As used herein, the term "Program Loans" refers to all mortgage loans financed under the General Resolution, including the Transferred Program Loans and mortgage loans to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (or participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, the Resolution and certain provisions of the Act and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee.

Certain capitalized terms utilized herein are defined in Appendix D hereto. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "Book-Entry Only System" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2011-1 Bonds and is payable on July 1, 2012, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2011-1A Bonds maturing on July 1, 2023, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2023, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1A
Term Bonds Due July 1, 2023

Year	Amount Due January 1	Amount Due July 1	
2023	$3,500,000	$3,395,000	(maturity)

The Issue 2011-1A Bonds maturing on July 1, 2031, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2026, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1A
PAC Term Bonds Due July 1, 2031

Year	Amount Due January 1	Amount Due July 1	
2026	$1,975,000	$2,495,000	
2027	2,590,000	2,660,000	
2028	2,775,000	2,855,000	
2029	2,925,000	2,995,000	
2030	3,075,000	3,160,000	
2031	3,220,000	3,485,000	(maturity)

The Issue 2011-1B Bonds maturing on July 1, 2025, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2024, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1B
Term Bonds Due July 1, 2025

Year	Amount Due January 1	Amount Due July 1	
2024	$1,560,000	$2,285,000	
2025	2,335,000	1,300,000	(maturity)

The Issue 2011-1B Bonds maturing on July 1, 2033, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2032, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1B
Term Bonds Due July 1, 2033

Year	Amount Due January 1	Amount Due July 1	
2032	$2,745,000	$2,370,000	
2033	1,290,000	725,000	(maturity)

The Issue 2011-1C Bonds maturing on July 1, 2026, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2024, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1C
Term Bonds Due July 1, 2026

Year	Amount Due January 1	Amount Due July 1	
2024	$1,300,000	$110,000	
2025	110,000	910,000	
2026	115,000	120,000	(maturity)

The Issue 2011-1C Bonds maturing on July 1, 2031, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2027, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1C
Term Bonds Due July 1, 2031

Year	Amount Due January 1	Amount Due July 1	
2027	$120,000	$120,000	
2028	125,000	130,000	
2029	130,000	135,000	
2030	135,000	140,000	
2031	145,000	145,000	(maturity)

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The Issue 2011-1C Bonds maturing on July 1, 2036, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2032, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1C
Term Bonds Due July 1, 2036

Year	Amount Due January 1	Amount Due July 1	
2032	$150,000	$150,000	
2033	155,000	160,000	
2034	165,000	165,000	
2035	170,000	175,000	
2036	180,000	185,000	(maturity)

The Issue 2011-1C Bonds maturing on July 1, 2042, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2037, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-1C
Term Bonds Due July 1, 2042

Year	Amount Due January 1	Amount Due July 1	
2037	$190,000	$190,000	
2038	195,000	200,000	
2039	205,000	210,000	
2040	215,000	220,000	
2041	225,000	230,000	
2042	235,000	240,000	(maturity)

Optional Redemption. The Issue 2011-1 Bonds maturing on and after July 1, 2021, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2021, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of Issue 2011-1A PAC Bonds. The Issue 2011-1A PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Issue 2011-1A PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2011-1 Principal Payments (as defined below). Any Excess 2011-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Issue 2011-1A PAC Bonds on any Interest Payment Date commencing July 1, 2012; provided, however, Issue 2011-1A PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2011-1A PAC Bonds remain Outstanding, Excess 2011-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of Issue 2011-1A PAC Bonds"), as determined by THDA, then available Excess 2011-1 Principal Payments shall first be applied to redeem Issue 2011-1A PAC Bonds up to an amount correlating to the Planned Amortization Amount (as defined below) for Issue 2011-1A PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the Issue 2011-1A PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2011-1 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) shall first be applied to redeem Issue 2011-1A PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the Issue 2011-1A PAC Bonds (any such remainder used to redeem Issue 2011-1A PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2011-1 Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the Issue 2011-1A PAC Bonds' proportionate amount of all Issue 2011-B Bonds then Outstanding.

"Excess 2011-1 Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount for each Interest Payment Date set forth in the Issue 2011-1 Supplemental Resolution. Each Planned Amortization Amount represents the cumulative principal amount of Issue 2011-1A PAC Bonds assumed to be redeemed from Excess 2011-1 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 75% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of Issue 2011-1A PAC Bonds" for a description of PSA prepayment rates.

The Planned Amortization Amounts for the Issue 2011-1A PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $107,000,000 with an approximate weighted average maturity of 225 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 75% of the PSA prepayment rate), as of each payment date is set forth below:

Issue 2011-1A PAC Bonds Planned Amortization Schedule

Date	Planned Amortization Amount
July 1, 2012	$ 2,515,000
January 1, 2013	4,930,000
July 1, 2013	7,250,000
January 1, 2014	9,470,000
July 1, 2014	11,595,000
January 1, 2015	13,630,000
July 1, 2015	15,570,000
January 1, 2016	17,425,000
July 1, 2016	19,185,000
January 1, 2017	20,865,000
July 1, 2017	22,460,000
January 1, 2018	23,970,000
July 1, 2018	25,395,000
January 1, 2019	26,745,000
July 1, 2019	28,015,000
January 1, 2020	29,215,000
July 1, 2020	30,340,000
January 1, 2021	31,400,000
July 1, 2021	32,395,000
January 1, 2022	33,330,000
July 1, 2022	34,210,000

For a description of the impact on the weighted average life of the Issue 2011-1A PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see “ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of Issue 2011-1A PAC Bonds.”

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans; (ii) except as otherwise described under the headings “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2011-1A PAC Bonds”, and “-Mandatory Redemption – 10 Year Rule”, repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Code, and (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses; provided, however, that only the Issue 2011-1C Bonds are subject to redemption under clause (i) above and the Issue 2011-1A PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2011-1A PAC Bonds” and (b) shall not be subject to redemption as described in clauses (iii) and (iv) above if such redemption would cause amortization of the Issue 2011-1A PAC Bonds to exceed the Planned Amortization Amount shown above in the Issue 2011-1A PAC Bonds Amortization Schedule. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading “The Program”), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans,

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable. The Offered Bonds to be so redeemed shall be redeemed pro rata among all maturities then Outstanding and eligible for redemption, unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Offered Bonds to be so redeemed. See “ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments” and “ASSUMPTIONS REGARDING OFFERED BONDS - THDA Redemption Practices”.

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds or otherwise required to be applied to the redemption of the Issue 2011-1A PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds, shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2011-1A PAC Bonds,” THDA shall direct the redemption of the Offered Bonds pro rata among all maturities then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Offered Bonds to be redeemed; provided, however, that the Issue 2011-1A PAC Bonds may be redeemed in an amount that exceeds the Planned Amortization Amount shown above in the Issue 2011-1A PAC Bonds Planned Amortization Schedule only if there are no other Offered Bonds outstanding.

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THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem Issue 2011-1A PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
December 1, 2011	80.0%
April 18, 2012	88.1
July 31, 2012	94.2
December 1, 2021	100.0

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Issue 2011-1C Bonds from Unexpended Proceeds. The Issue 2011-1C Bonds are subject to redemption, at the election of THDA, in whole or in part on any date at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable, from proceeds of the Issue 2011-1C Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Issue 2011-1C Bonds are subject to mandatory redemption on June 1, 2015, in the event and to the extent that there are unexpended proceeds of the Issue 2011-1C Bonds on deposit in the Issue 2011-1 Bonds Subaccount of the Loan Fund on such date, at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable. THDA shall direct the redemption of the Issue 2011-1C Bonds pro rata among all maturities of such Issue 2011-1C Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Issue 2011-1C Bonds to be so redeemed.

Selection By Lot

If less than all of the Issue 2011-1 Bonds of like series and maturity are to be redeemed, the particular Issue 2011-1 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds, and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds, which notice shall specify the series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. In the event that the Trustee does not, at the time notice of any redemption is required to be given under the Resolution, hold on deposit in the Redemption Fund an amount sufficient to pay the Redemption Price of, plus interest accrued and unpaid to the redemption, such notice shall further state that the redemption is conditional upon sufficient funds being so deposited or transferred by or at the direction of THDA to the Redemption Fund and that, in the event such funds are not so deposited or transferred, the redemption shall be canceled, or reduced to the extent of funds actually on deposit, and written notice of such cancellation or reduction shall be given to the holders of Bonds which are not to be redeemed within ten (10) days following the proposed redemption date in the same manner as provided for notice of the redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than twenty (20) days (or such shorter period as may be acceptable to DTC) before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry-Only System" for a discussion of DTC practices.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2011-1 Bonds, together with a contribution from THDA, will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 141,255,000.00
Premium on Issue 2011-1A PAC Bond	1,239,428.30
Transferred Program Loans	107,220,700.00
Transferred Investments	44,308,500.00
THDA Contribution	1,494,476.70
TOTAL SOURCES	$ 295,518,105.00
USES	
Deposit to Loan Fund[(1)]	115,420,700.00
Redemption of Prior Bonds	134,295,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	5,502,500.00
Deposit to Debt Service Reserve Fund	38,806,000.00
Capitalized Interest	394,805.85
Costs of Issuance	183,500.00
Underwriters' Fee	915,599.15
TOTAL USES	$ 295,518,105.00

(1) Includes $8,200,000 in proceeds from Issue 2011-1C plus approximately $107,220,700 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are general obligations of THDA payable from the revenues and assets of THDA pledged under the Resolution and other funds of THDA legally available therefor. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution, including the Escrow Fund;

(c) All Funds and Accounts created by the Resolution, including the Debt Service Reserve Fund, and monies and securities therein, and amounts required by the Resolution to be deposited in the Escrow Fund (see Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION");

(d) Any monies paid by the State and deposited in the Debt Service Reserve Fund pursuant to the Act and the Resolution;

(e) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution; and

(f) Any other funds of THDA legally available therefor.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

Debt Service Reserve Fund

The Act authorizes THDA to establish one or more reserve funds to be known as debt service reserve funds. In accordance with the Act and the Resolution, THDA has established a Debt Service Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Debt Service Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest required to be made and becoming due on all Bonds then outstanding for the then current or any succeeding State fiscal year (July 1 to June 30) or any succeeding calendar year, whichever is greater (the "Debt Service Reserve Fund Requirement"). On the date of issuance of the Offered Bonds, the Debt Service Reserve Fund will contain an amount at least equal to the Debt Service Reserve Fund Requirement. The Resolution requires that if, at any time, there is not a sufficient amount available in the Debt Service and Expense Account to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Debt Service Reserve Fund to the Debt Service and Expense Account.

The Act establishes a mechanism for certifying an amount, if any, needed to restore the Debt Service Reserve Fund to an amount equal to the maximum amount of principal, or sinking fund payments, and interest, maturing, required to be made and becoming due in any succeeding state fiscal year on THDA's bonds. These provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts. Under the Constitution of the State, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. With respect to any sum so certified by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration in accordance with the Act, the General Assembly is authorized to appropriate, to expend and to provide for the payment of such sum, but is not legally required to do so. THDA has covenanted in the Resolution to comply with the provisions of the Act relating to the requisite certification by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration concerning the Debt Service Reserve Fund and has also covenanted to make and deliver such certification annually on or before November 1 and to deposit all monies received pursuant to any such certification into the Debt Service Reserve Fund. THDA has never requested the State to appropriate monies for the Debt Service Reserve Fund or for any other debt service reserve fund established pursuant to the Act or any other bond resolution of THDA.

Additional Bonds

THDA is authorized to issue additional series of Bonds upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the Offered Bonds and other outstanding Bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements upon the issuance or remarketing of Bonds, including the Offered Bonds, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Offered Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $107,000,000, with a weighted average maturity of approximately 225 months and a weighted average interest rate of approximately 5.83%, will be allocated to the Offered Bonds upon the refunding of the Prior Bonds and (ii) THDA originates approximately $16,400,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.507%; approximately 50% of which are participations funded with proceeds of the Issue 2011-1C Bonds for which none of the interest is allocable to the Offered Bonds. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2011-1 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "PROGRAM LOANS – Description of Program Loans" – Homeownership Choices" and Appendix G – "PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that proceeds of the Issue 2011-1C Bonds will be applied to finance participation interests in Program Loans which will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 4.507%; none of the interest of which will be allocable to the Offered Bonds and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans when bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds, however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

THDA issued $300,000,000 aggregate principal amount of its Housing Finance Program Bonds, Issue 2009-B (the "Issue 2009-B Bonds") in December, 2009 as taxable, variable interest rate escrow bonds under the Single Family New Issue Bond Program (the "New Issue Bond Program") announced by the United States Department of the Treasury, Fannie Mae and Freddie Mac. The Issue 2009-B Bonds were purchased by Fannie Mae and Freddie Mac (the "Purchasers") pursuant to the New Issue Bond Program and proceeds derived from the sale of the Issue 2009-B Bonds in an amount equal to $300,000,000 were deposited in an escrow account established under the General Housing Finance Resolution adopted by THDA on November 19, 2009 ("2009 General Resolution"). On November 3, 2011, THDA released its last tranche of Issue 2009-B Bonds in the principal amount of $34,710,000 and, simultaneously therewith, issued Market Bonds in an aggregate principal amount of $65,290,000. As of the date of such release, bonds were outstanding under the 2009 General Resolution in an aggregate principal amount of $650,020,000. THDA currently expects to finance a significant portion of its mortgage loan financing activities under the 2009 General Resolution until all proceeds of the released Issue 2009-B Bonds and Market Bonds have been used to purchase Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2011-1C Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption under the General Resolution was Issue 1996-3 as shown on the chart under the heading "HOMEOWNERSHIP PROGRAM BONDS – Origination Experience" herein. THDA has not redeemed any bonds from unexpended proceeds under the 2009 General Resolution or the 1974 General Resolution. As of November 9, 2011, however, proceeds of bonds issued under the 2009 General Resolution in the amount of approximately $125,500,000 had not been expended for the purchase of Program Loans. This amount includes $100,000,000 in proceeds of bonds issued under the 2009 General Resolution which first became available for the purchase of Program Loans on November 3, 2011. Notwithstanding past performance, no assurances can be given that proceeds from the Issue 2011-1C Bonds will be fully expended for Program Loans.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

On July 7, 2011, the U.S. Department of Housing and Urban Development announced changes to Federal Housing Administration and Making Home Affordable Program requirements that direct servicers to extend the period of time during which eligible borrowers may skip part or all of their monthly payments from three or four months to twelve months whenever possible. These requirements became effective on August 1, 2011, with a subsequent sixty day implementation period. At present, THDA cannot predict what effect, if any, these requirements would have on the Program Loan portfolio, which, together with other revenues and assets available under the Resolution, is the source of payment and security for the Offered Bonds.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $236 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $20,000 for up to 18 months in 29 targeted counties and up to $15,000 for up to 12 months in 66 counties. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of September 30, 2011, 404 loans made under the HHF Program have closed. Thirty-three of these loans have been made with respect to Program Loans previously financed under the Resolution. None of the loans made under the HHF Program are pledged as security for the Bonds.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the Resolution, the resolutions adopted in connection with other issues of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2011-1 – PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "– Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution and the resolutions adopted in connection with other issues of Bonds under the General Resolution specify when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and Issues to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other issues of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Debt Service Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Program Expenses. THDA expects to pay Costs of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure costs, and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. To the extent funds are available therefor, THDA currently expects to continue to pay other Program Expenses and other operating and administrative costs and expenses of THDA from the Housing Program Fund, a fund of THDA created in 1988 that is not subject to the lien of the Resolution. To the extent funds are not available from the Housing Program Fund, THDA expects to pay Program Expenses from the Debt Service and Expense Account of the Revenue Fund under the Resolution and other operating and administrative costs and expenses that are not Program Expenses from other resources of THDA. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds" and for more information about the Housing Program Fund, see Appendix E – "OTHER FINANCINGS, THDA FUNDS AND THDA ACTIVITIES – THDA Funds".

While THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses, the Act establishes a mechanism for certifying an amount, if any, estimated to be required for payment of expenses of THDA for the next ensuing State fiscal year. The amount so certified is the amount by which anticipated operating expenses of THDA, including Program Expenses, will exceed available THDA operating revenues. The Act further provides that to assure the continued operation and solvency of THDA for the fulfillment of the purposes of the Act, there shall be apportioned and paid to THDA, after audit by appropriate State officials, not more than the amount so stated. These provisions of the Act do not constitute a legally enforceable obligation of the State to pay such amounts. Under the Constitution of the State of Tennessee, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. The General Assembly is authorized to appropriate, to expend and to provide for the payment of the amount so certified, but is not legally required to do so.

THDA has covenanted in the Resolution to comply with this provision of the Act relating to the certification of the amounts required for the payment of operating and administrative costs and expenses, to the extent such operating and administrative costs and expenses exceed available THDA operating revenues. THDA has never requested the State to appropriate monies to cover operating or administrative costs or expenses, including Program Expenses, of THDA.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Debt Service Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0.00% per annum until June 30, 2021, and, 0.75% per annum thereafter; and (iii) funds on deposit in the Issue 2011-1 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0.00% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of Issue 2011-1A PAC Bonds

The term “weighted average life” refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the Issue 2011-1A PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association (“PSA”)) prepayment standard or model (commonly referred to as the “PSA Prepayment Model”).

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, “0% PSA” assumes no prepayments of principal on the Program Loans. “25% PSA” assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. “50% PSA” assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. “100% PSA” assumes the principal of Program Loans will

prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the Issue 2011-1A PAC Bonds. THDA has provided for the redemption of the Issue 2011-1A PAC Bonds as described under the heading “DESCRIPTION OF THE OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of Issue 2011-1A PAC Bonds”, and the weighted average lives of the Issue 2011-1A PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2011-1 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $107,000,000 of Transferred Program Loans with an approximate weighted average maturity of approximately 225 months and an approximate weighted average interest rate of 5.83% will be allocated to the Offered Bonds, (iii) Excess 2011-1 Principal Payments will be used to redeem Issue 2011-1A PAC Bonds only on Interest Payment Dates, and (iv) the Issue 2011-1A PAC Bonds will be redeemed only in Planned Amortization Amounts as described under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2011-1A PAC Bonds” and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see “DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS” herein.

Projected Weighted Average Lives For Issue 2011-1A PAC Bonds

PSA Speed	Average Life (in years)
0%	17.1
25	11.8
50	7.3
75	4.7
100	4.7
200	4.7
300	4.7
400	4.7
500	4.7

HOMEOWNERSHIP PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $2,390,670,000 total original principal amount of bonds under the General Resolution as of September 30, 2011, of which $1,460,335,000 (unaudited) were outstanding as of September 30, 2011, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of September 30, 2011 (unaudited)	Original Net Interest Cost[(1)]
2001-1	May 1, 2001	$ 135,390,000	$ 55,705,000	5.25
2001-2	August 1, 2001	60,000,000	17,215,000	5.08
2001-3	December 1, 2001	64,580,000	15,215,000	5.21
2002-1	April 18, 2002	85,000,000	23,955,000	5.14
2002-2	July 31, 2002	85,000,000	27,360,000	5.03
2003-1	February 27, 2003	50,000,000	19,560,000	4.64
2003-2	July 31, 2003	60,000,000	27,755,000	3.90
2003-3	November 5, 2003	75,000,000	31,985,000	4.30
2004-1	March 4, 2004	80,000,000	38,345,000	4.40
2004-2	July 15, 2004	100,000,000	50,475,000	4.86
2004-3	January 13, 2005	100,000,000	53,555,000	4.41
2005-1	July 28, 2005	100,000,000	61,885,000	4.33
2005-2	November 17, 2005	100,000,000	60,565,000	4.61
2006-1	April 27, 2006	100,000,000	64,350,000	4.66
2006-2	July 27, 2006	100,000,000	60,695,000	4.85
2006-3	October 31, 2006	100,000,000	69,165,000	4.58
2007-1	March 13, 2007	100,000,000	72,760,000	4.49
2007-2	June 6, 2007	120,000,000	91,980,000	4.53
2007-3	August 7, 2007	150,000,000	110,105,000	4.77
2007-4	October 30, 2007	150,000,000	114,765,000	4.79
2008-1	May 29, 2008	60,000,000	45,900,000	4.93
2008-2	August 7, 2008	50,000,000	35,945,000	5.28
2008-3	September 30, 2008	90,000,000	66,040,000	5.00
2008-4	December 18, 2008	30,000,000	18,160,000	5.56
2009-1	June 11, 2009	50,000,000	46,270,000	4.39
2009-2	September 30, 2009	75,000,000	69,135,000	4.06
2010-1	October 13, 2010	120,700,000	111,490,000	3.57
TOTAL		$2,390,670,000	$1,460,335,000	

(1) Bond yield.

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Origination Experience

Other than bond issues currently being originated, between January 1, 1995, and September 30, 2011, THDA fully originated all bond issues with the exception of the following two transactions which experienced unexpended proceeds redemptions:

Issue of Bonds	Lendable Proceeds	Program Loans Financed Amount	%	Non-Origination Bond Redemptions	Mortgage Interest Rate(s)
1995-1	$ 59,309,056	$ 23,702,408	39.96%	$35,600,000	7.40/5.50
1996-3	64,303,700	42,049,898	65.39	22,250,000	6.75/6.50/6.25

THDA's experience from January 1, 2000, to September 30, 2011, regarding origination of Program Loans[1] from lendable proceeds of Bonds issued since January 1, 2000, is shown in the following table:

Issue of Bonds	Lendable Proceeds	Program Loans Financed[2] as of September 30, 2011		Mortgage Interest Rate(s)
		Amount	%	
2000-1	$ 103,803,075	$ 103,803,075	100.00	7.30
2000-2A/B	108,900,000	108,900,000	100.00	7.30/7.25/6.50/6.25
2001-2A/B	60,000,000	59,997,726	100.00	7.25/6.25/5.90/6.90
2001-3A/B	64,580,000	64,580,000	100.00	5.90/6.90
2002-1A/B	85,000,000	84,995,890	100.00	6.00/7.00
2002-2A/B	85,000,000	85,000,000	100.00	6.00/7.00/5.625/6.625/5.40/6.40
2003-1A/B	50,000,000	50,000,000	100.00	5.25/6.25/4.75/5.75/4.65/5.65
2003-2A/B	61,108,600[3]	61,108,600	100.00	4.65/5.65
2003-3A/B	76,723,250[3]	76,723,250	100.00	5.25/6.25
2004-1	81,914,000[3]	81,914,000	100.00	4.95/5.95/5.25/6.25/5.60/6.60
2004-2	101,909,600[3]	101,909,600	100.00	5.60/6.60/5.10/6.10
2004-3	89,023,500[3]	89,023,500	100.00	5.10/6.10/4.99/5.99
2005-1	102,000,000[3]	102,000,000	100.00	4.99/5.99
2005-2	101,606,800[3]	101,606,800	100.00	4.99/5.30/5.99/6.30
2006-1	102,908,000[3]	102,908,000	100.00	5.30/5.40/6.30/6.40
2006-2	102,913,560[3]	102,913,560	100.00	5.40/5.80/6.40/6.80
2006-3	103,584,640[3]	103,583,316	100.00	5.40/5.50/5.80/5.90/6.00/6.40/6.50/6.80
2007-1	103,043,200[3]	103,041,521	100.00	5.40/5.90/6.40
2007-2	123,201,600[3]	123,194,178	100.00	5.40/5.90/6.40/5.70/6.20/6.70
2007-3	153,968,215[3]	153,967,959	100.00	5.70/6.00/6.20/6.50/6.70/7.00
2007-4	154,361,250[3]	154,360,985	100.00	5.45/5.75/5.95/6.00/6.25/6.45/6.50/6.75
2008-1A/B	60,000,000	60,000,000	100.00	5.45/5.80/6.30/6.80
2008-2A/B	59,000,000[4]	59,000,000	100.00	5.80/5.99/6.30/6.49/6.80/6.99
2008-3	90,000,000	89,998,284	100.00	5.80/5.99/6.10/6.15/6.30/6.49/6.60/6.80/6.99/7.10
2008-4	35,000,000	34,999,852	100.00	5.55/5.85/6.15
2009-1	50,000,000	49,999,065	100.00	5.20/5.50/5.80
2009-2	75,000,000	74,999,843	100.00	5.20/5.50/5.80
2010-1	2,150,000[5]	2,149,707	99.99	4.85
TOTAL	$2,386,699,290	$2,386,678,711		

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(1) See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Program Loans" for more information about Program Loans.

(2) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

(3) Includes initial issue premium paid with respect to planned amortization class bond.

(4) These lendable proceeds include $50,000,000 in proceeds from Issue 2008-2A/B plus $9,000,000 released from the lien of the 1974 General Resolution in accordance with its terms and transferred to the Issue 2008-2 Loan Fund of the General Resolution.

(5) These lendable proceeds do not include proceeds that must be lent at 0% interest as participations in other Program Loans.

THDA is currently originating mortgage loans with the proceeds of bonds issued under the 2009 General Resolution through the New Issue Bond Program. Proceeds of Issue 2011-C, the most recent Market Bonds issued by THDA under the 2009 General Resolution, and proceeds of Issue 2009-B, Subseries B-5, the last tranche of bonds released from escrow under the New Issue Bond Program, are expected to be used to purchase Program Loans through February 2012.

HOMEOWNERSHIP PROGRAM LOANS

Description of Homeownership Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limit is $200,160 for all counties except those counties in the Nashville Metropolitan Statistical Area ("MSA"). The THDA Acquisition Cost Limit is $226,100 for those counties in the Nashville MSA. The THDA Household Income Limits range from $54,480 to $92,680 depending on household size and geographic location. See Appendix G for a description of Homeownership Program Loan Procedures related to Code requirements.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. As of September 1, 2011, the current interest rate for Great Rate Program Loans is 3.95%, the current interest rate for the Great Advantage Program Loans is 4.25% and the current interest rate for Great Start Program Loans is 4.55%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

The New Start Loan Program is designed to promote the construction of new homes for very low-income Tennesseans. The New Start Loan Program is delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of $32,760, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. An interest rate equal to one-half of the current interest rate for Great Rate Program Loans is available to borrowers who have a maximum family income of $38,220, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. All other THDA Program Loan requirements remain applicable. As of September 30, 2011 (unaudited), 335 New Start Program Loans, with an aggregate principal balance of approximately $15,795,563, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other bonds.

Prior Programs

THDA previously offered specialized mortgage loan products under the START Program, the RIC Program and the LIFT Program, which programs targeted lower income borrowers or borrowers who resided either in rural counties or inner cities. Program Loans under these programs constitute, in the aggregate, 0.2% of all Program Loans by principal amount and 1.0% of all Program Loans by number of loans. THDA no longer finances Program Loans under these programs.

Homeownership Program Portfolio Data

General

As of September 30, 2011 (unaudited), 18,795 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $1,474,417,880 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 282.73 months and an approximate weighted average interest rate of 5.80%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of September 30, 2011 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA [(1)]	Number of Program Loans	Outstanding Balance [(3)]	Percent of Total Number of Program Loans [(3)]	Percent of Outstanding Balance [(4)]
FHA Insured…………………………	12,428	$935,878,149	66.13%	63.47%
VA Guaranteed…………………….	671	47,739,839	3.57	3.24
Privately insured..........................	2,820	282,806,541	15.00	19.18
Uninsured[(2)]………………………….	789	49,699,621	4.20	3.37
USDA/RD Guaranteed……………...	2,087	158,293,730	11.10	10.74
TOTAL…………………………..…	18,795	$1,474,417,880[(4)]	100.00%[(4)]	100.00%[(4)]

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(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs" for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Transferred Loans are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of September 30, 2011 (unaudited), 2,820[1] privately insured Program Loans having an aggregate balance of approximately $282,806,541 were outstanding under the General Resolution. As of September 30, 2011 (unaudited), THDA had the following information regarding the private mortgage insurer for 2,531 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [3]	Percent of Total Number of Program Loans[3]	Percent of Outstanding Balance [3]
Commonwealth/CMAC	9	$ 405,528	0.0479%	0.0274%
Genworth Mortgage Insurance Corp. (GE)	1,096	114,969,159	5.8313	7.7856
MGIC	848	87,495,885	4.5118	5.9162
PMI Mortgage Insurance[2]	13	833,048	0.0692	0.0564
Radian Guaranty Inc.	14	1,168,735	0.0745	0.0791
Republic Mortgage Insurance Corporation	169	18,824,170	0.8992	1.2678
Traid	25	1,977,376	0.1330	0.1338
United Guaranty Residential Insurance Co.	357	36,543,271	1.8994	2.4746
TOTAL	2,531	$262,217,171[4]	13.4663%[4]	17.7409%[4]

(1) The private mortgage insurer is not identified with respect to 289 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) PMI Mortgage Insurance is under the oversight of the Arizona Department of Insurance and, effective October 25, 2011, will pay claims only at the rate of $.50 per $1.00.

(3) Rounded figures.

(4) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of September 30, 2011 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	**Number of Program Loans**[(1)]	**Outstanding Balance**[(2)]	**Percent of Total Number of Program Loans**[(2)]	**Percent of Outstanding Balance**[(2)]
0.00-0.99	335	$ 15,795,563	1.78%	1.07%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	1	110,000	0.01	0.01
3.00-3.99	2	285,130	0.01	0.01
4.00-4.99	1,310	114,916,315	6.97	7.79
5.00-5.49	4,083	393,723,962	21.72	26.70
5.50-5.99	5,431	490,915,524	28.90	33.30
6.00-6.49	3,179	248,889,091	16.91	16.88
6.50-6.99	1,848	122,420,566	9.83	8.30
7.00-7.49	966	48,584,019	5.14	3.30
7.50-7.99	432	18,979,400	2.30	1.29
8.00-8.49	391	3,353,641	2.08	0.23
8.50-8.99	505	10,955,250	2.69	0.74
9.00-9.49	246	4,636,502	1.31	0.32
9.50-9.99	66	852,916	0.35	0.06
TOTAL	18,795	$1,474,417,880[(3)]	100.00%[(3)]	100.00%[(3)]

(1) See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs" for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of September 30, 2011

As of September 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.62%, based on a total of 18,795 Program Loans as of September 30, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	362	$26,431,690	2.91%	2.05%[4]
VA Guaranteed	14	1,258,420	2.09	1.29
Privately insured	48	4,664,710	1.70	0.79[5]
USDA/RD Guaranteed	67	4,890,714	3.21	[6]
Uninsured	1	80,289	0.13	[6]
TOTAL	492	$37,325,823[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 4.31%, based on a total of 18,795 Program Loans as of September 30, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	663	$50,791,394	5.33%	4.70%[4]
VA Guaranteed	18	1,285,317	2.68	2.45
Privately insured	56	5,409,838	1.99	1.49[5]
USDA/RD Guaranteed	69	4,914,388	3.31	[6]
Uninsured	4	306,532	0.51	[6]
TOTAL	810	$62,707,469[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2011 (unaudited), the overall rate of Program Loans in foreclosure was 1.35%, based on a total of 18,795 Program Loans as of September 30, 2011.

The foreclosure rate by loan type for Program Loans in foreclosure as of September 30, 2011 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2011, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	199	$16,304,161	1.60%	2.40%[4]
VA Guaranteed	7	682,035	1.04	1.85
Privately insured	25	2,587,200	0.64	1.65[5]
USDA/RD Guaranteed	22	1,728,790	1.05	(6)
Uninsured	0	0	0.00	(6)
TOTAL	253	$21,302,186[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

The Transferred Program Loans are expected to have an approximate weighted average maturity of 225 months and a weighted average interest rate of 5.83% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE OFFERED BONDS – Prepayment Experience of Transferred Program Loans" herein. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of September 30, 2011; the Transferred Program Loans will not be allocable to the Offered Bonds until January 3, 2012, and Transferred Program Loan characteristics may change slightly from September 30, 2011, to January 3, 2012).

Transferred Program Loans by Type of Mortgage

Type of Mortgage	Number	Principal Amount [3]	% of Transferred Principal Amount
FHA Insured………………………..…	1,544	$ 80,965,306	75.52%
VA Guaranteed……………………....	110	5,290,845	4.93
USDA/RD Guaranteed……………	153	10,048,596	9.37
Privately Insured[1]…………………	36	1,157,711	1.08
Uninsured[2]………………………..	254	9,758,306	9.10
TOTAL………………………………	2,097	$107,220,764 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.
(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.
(3) Rounded figures.
(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of September 30, 2011 (unaudited), $1,157,711[(1)] principal amount of the Transferred Program Loans are privately insured. As of September 30, 2011 (unaudited), THDA has the following information regarding the private mortgage insurer for two (2) of these privately insured Transferred Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [(2)]	Percent of Total Program Loans [(2)]	Percent of Outstanding Balance [(2)]
Commonwealth/CMAC	1	$31,346	0.0477%	0.0291%
Genworth Mortgage Insurance Corp. (GE)	1	21,883	0.0477	0.0203
Total	2	$53,229[(3)]	0.0954%[(3)]	0.0493%[(3)]

(1) The private mortgage insurer is not identified with respect to 34 of these privately insured Program Loans as these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) Rounded figures.

(3) Rounded totals.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to Issue 2001-1 Bonds, Issue 2001-2 Bonds, Issue 2001-3 Bonds, Issue 2002-1 Bonds, and Issue 2002-2 Bonds, all issued and outstanding under the General Resolution. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to each series of the Prior Bonds for the 3 month, 6 month and 12 month periods ended on September 30, 2011, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Mortgage Rate
2001-1	82%	65%	64%	171%	4.90%
2001-2	111	125	153	171	6.14
2001-3	195	168	147	169	6.08
2002-1	173	140	153	195	6.21
2002-2	219	168	142	170	5.89

Delinquency Information for the Transferred Program Loans

As of September 30, 2011 (unaudited), the overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.34%, based on a total of 2,097 Transferred Program Loans.

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2011, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	45	$2,342,560	2.91%	2.05%(4)
VA Guaranteed	1	35,499	0.91	1.29
Privately Insured	1	69,180	2.78	0.79(5)
USDA/RD Guaranteed	2	127,707	1.31	(6)
Uninsured	0	0	0.00	(6)
TOTAL	49	2,574,947(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2011 (unaudited), the overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 4.48%, based on a total of 2,097 Transferred Program Loans.

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of September 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2011

Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	84	$4,985,445	5.44%	4.70%(4)
VA Guaranteed	4	91,047	3.64	2.45
Privately Insured	1	16,460	2.78	1.49(5)
USDA/RD(1) Guaranteed	5	326,443	3.27	(6)
Uninsured	0	0	0.00	(6)
TOTAL	94	$5,419,396(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2011 (unaudited), the rate of Transferred Program Loans in foreclosure was 0.81%, based on a total of 2,097 Transferred Program Loans.

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of September 30, 2011 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2011, are shown in the following table:

IN FORECLOSURE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	16	$1,064,378	0.39%	2.40%[4]
VA Guaranteed	1	32,902	0.00	1.85
Privately Insured	0	0	0.00	1.65[5]
USDA/RD[1] Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	17	$1,097,280[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

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FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM

Consolidated Revenues and Net Assets

The following table summarizes consolidated revenues and net assets for Homeownership Program Bonds for the five most recent years. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the years ending June 30, 2011, 2010, 2009, 2008 and 2007.

	Year Ended June 30 (Audited)				
Homeownership Bond Group	**2011**	**2010**	**2009**	**2008**	**2007**
REVENUES:					
Interest on Mortgages	$ 93,952	$ 107,457	$ 110,312	$ 101,478	$ 83,531
Investment Income:					
Interest	9,235	10,561	12,140	18,263	20,052
Net Increase (decrease) in the Fair Value of Investments	(4,118)	1,601	3,017	7,060	924
Fees and Other Income	-	-	-	-	-
	99,069	119,619	125,469	126,801	104,507
EXPENSES:					
Interest	72,065	85,940	87,976	87,411	73,959
Issuance Cost	621	656	624	548	484
Mortgage Servicing Fees	5,918	6,697	6,783	6,339	5,185
Down Payment Assistance Grants	7,877	8,197	3,748	3,094	3,685
Other	6,215	2,884	2,359	2,758	2,006
	92,696	104,374	101,490	100,150	85,319
Excess of Revenues over Expenses	6,373	15,245	23,979	26,651	19,188
Net Assets/Retained Earnings at beginning of period	358,100	360,461	336,488	307,832	277,851
Loss on early retirement of bonds	-	-	-	-	-
Other Transfers	(15,545)	(17,606)	(6)	2,005	10,793
Net Assets/Retained Earnings at end of period	$ 348,928	$ 358,100	$ 360,461	$ 336,488	$ 307,832

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. Bids are solicited by THDA in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of September 30, 2011 (unaudited), the short-term investment portfolio was placed as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 11,929,790
Federal Home Loan Bank Notes	59,390,751
Federal Home Loan Mortgage Corporation Notes	9,496,474
Fannie Mae Notes	74,974,919
Repurchase Agreements	25,790,000
United States Treasury Bonds	60,530,550
TOTAL	$242,112,484

As of September 30, 2011 (unaudited), amounts in the Debt Service Reserve Fund, a portion of the short-term investment portfolio described above, were invested as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 8,560,187
Federal Home Loan Bank Notes	10,437,124
Federal Home Loan Mortgage Corporation Notes	3,026,094
Fannie Mae Notes	61,543,835
United States Treasury Bonds	60,530,550
TOTAL	$114,097,790

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

THDA is subject to periodic review by the General Assembly to evaluate the necessity for its continued existence. THDA's existence has been continued until June 30, 2014.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of September 30, 2011 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $2,117,170,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service

Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors are shown below:

Name	Term Expires	Principal Occupation
Robyn J. Askew	July 1, 2013	Attorney, Lewis, King, Kreig & Waldrop, PC Knoxville, TN
Phil M. Baggett	July 1, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
Brian Bills, Chairman	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Tim Bolding	July 1, 2012	Executive Director, United Housing, Inc. Memphis, TN
Mark Cate(1)	(2)	Special Assistant & Policy Advisor to the Governor
Philip C. Chamberlain, II	July 1, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Mark Emkes(1)	(2)	Commissioner, Department of Finance and Administration
William Graves	July 1, 2013	Retired. Formerly General Manager, Fleetwood Homes of TN, Inc., Gallatin, TN
Tre Hargett(1)	January, 2013	Secretary of State
Winston Henning	July 1, 2012	Executive Director, Jackson Housing Authority, Jackson, TN
Loretta J. Jercinovich	July 1, 2012	President, First State Bank Mortgage Division Jackson, TN
David H. Lillard, Jr.(1)	January, 2013	State Treasurer
Janis McNeely	July 1, 2013	Retired. Formerly, Relationship Manager, First Tennessee Home Loans, Nashville, TN
Alvin Nance	July 1, 2012	President/CEO, Knoxville's Community Development Corporation, Knoxville, TN
Ralph M. Perrey	July 1, 2015	Senior Business Developer—Appalachia, Fannie Mae, Nashville, TN
Lisa Reid	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
Benjie Shuler	July 1, 2012	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	July 1, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson(1)	January, 2013	Comptroller of the Treasury
Mary Chatman	(3)	Springfield, TN

(1) Ex officio member.

(2) Serves at pleasure of Governor.

(3) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 221 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ted R. Fellman – Executive Director since 2005. THDA employee since 1995. Formerly, Tennessee Department of Correction (1992-1995); Correctional Enterprises of Tennessee (1986-1992); Tennessee Department of Finance and Administration (1984-1986). B.S., Tennessee Technological University; M.P.A., Tennessee State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Ronald L. Erickson, C.P.A. – Director of Internal Audit since 2000. Formerly, Tennessee Department of General Services (1984-2000); Comptroller of the Treasury, Division of Municipal Audit (1980-1984). B.B.A., Austin Peay State University.

Lindsay Hall – Director of Single Family Programs since February 2011. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Trent Ridley – Chief Financial Officer since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

Laura Sinclair – Chief Program Officer since February 2011. THDA employee since 2006. Formerly, Columbia National Mortgage (1998-2000); Tennessee Housing Development Agency (1997-1998); New Mexico Mortgage Finance Authority (1994-1997); North American Mortgage Co. (1992-1994); CBS Commercial Real Estate Co. (1990-1991); PaineWebber Mortgage Finance Co. (1984-1990). B.A., University of New Mexico.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in nine (9) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Homeownership Program and any of the other general bond resolutions or mortgage loan programs of THDA. The Housing Program Fund originally contained, among other things, state tax revenue statutorily directed to THDA for the HOUSE Program, a statutorily authorized grant program administered by THDA that is not related to the General Resolution, the Homeownership Program or any of the other general bond resolutions or mortgage loan programs of THDA. The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings. These funds are not pledged as security for the Bonds. See Appendix E under the heading "THDA Funds," for a description of each of these statutorily created funds.

While amounts on deposit in the Assets Fund are not specifically pledged as security for bonds issued under the General Resolution or any other bond resolution of THDA, the Assets Fund is a general asset of THDA and may, subject to the respective terms of the Act, the General Resolution, or any other general bond resolution of THDA, serve as supplemental security for bonds issued under any such general bond resolutions. As a result of transfers required by the State and subsequent action by THDA, no amounts are currently on deposit in the Assets Fund. See "SECURITY AND SOURCES OF PAYMENT OF BONDS – Security of Bonds and Sources of Payment" herein for a description of sources of payment for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal year ending June 30, 2012.

Payment of THDA Operating Expenses, Including Program Expenses

THDA administers certain federal programs such as the low income housing tax credit program, the Section 8 voucher program and the HOME program and pays operating expenses associated with these programs from administrative fees earned or other fees charged in connection with the administration of these programs. Neither investment earnings from the Assets Fund nor amounts in the General Resolution have been used to pay the operating expenses associated with these programs.

From 1988 to 2002, investment earnings from amounts on deposit in the Assets Fund, as supplemented with investment earnings on other THDA funds, were a primary source for paying THDA operating and administrative costs and expenses, including staff salaries, Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and substantially all other expenses associated with the Homeownership Program and the other general bond resolutions and mortgage loan programs of THDA. Investment earnings from amounts on deposit in the Assets Fund were annually transferred by THDA to the Housing Program Fund, from which referenced expenses were paid. Although such investment earnings on amounts on deposit in the Assets Fund no longer exist due to the transfers from the Assets Fund to the State General Fund described above, THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure cost and other similar costs) and other THDA operating and administrative costs and expenses from the Housing Program Fund and other available funds under the 1974 General Resolution and the General Resolution. In the future, however, THDA expects to use more of the amounts available under the General Resolution and the 1974 General Resolution for the payment of Program Expenses in addition to the payment of Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Regardless of THDA's best efforts and in the event of additional transfers, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

State Budget

The State-approved budget for fiscal year 2011-2012 which ends June 30, 2012 (the "FY 2011-2012 Budget") is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The FY 2011-2012 Budget, as adopted by the General Assembly, is based on State revenue growth estimates that reflect 3.35% growth in revenue collections in fiscal year 2011-2012.

On an accrual basis, September was the second month of fiscal year 2011-2012. Year-to-date state tax collections for the first two months of the fiscal year were $23.6 million more than the budgeted estimate, and the general fund collections were $22.8 million more than budgeted. Reserves are available as an additional hedge against a revenue shortfall. The Rainy Day Fund is projected to be $311 million at June 30, 2012.

If projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 58,551 active members in TCRS in the state and higher education employee group at June 30, 2011. This total includes xxx employees of THDA who are members of TCRS.

The state of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees in the state and higher education group, including THDA employees, are noncontributory.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The last valuation was effective July 1, 2009. The next valuation was effective July 1, 2011, and the results should be available in late December 2011.

Actuarial

At June 30, 2009, the date of the latest actuarial valuation, the unfunded actuarial liability when based on the actuarial value of assets was $2.719 billion, resulting in a funded ratio of 90.6%. The unfunded actuarial liability would have been $7.108 billion if based on the market value of assets. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2011, and ending June 30, 2012, is 14.91% based on the actuarial valuation effective July 1, 2009. The July 1, 2011, actuarial valuation will establish the employer contribution rate for the two year period beginning July 1, 2012, and ending June 30, 2014. The results of the 2011 valuation should be available in late December of 2011.

A history of THDA's contributions to TCRS is reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2012	14.91%	$12,151,100*	$1,811,729*	1.36%
2011	14.91%	10,593,944	1,585,654	1.25
2010	13.02%	9,956,646	1,295,272	1.03
2009	13.02%	9,267,262	1,201,303	0.98
2008	13.66%	9,602,067	1,297,298	1.02
2007	13.58%	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2011, the salary of THDA employees totaled $10,593,944, which represents 0.43% of the $2.510 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred market losses that have been actuarially smoothed are recognized over the next ten years.

GASB Exposure Draft Amending Statement 27

The Governmental Accounting Standards Board (GASB) has issued an exposure draft amending GASB statement number 27 relative to accounting and reporting for pensions. If adopted as proposed, it would separate pension accounting from pension funding, which heretofore have been tied together. The amendment proposes a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, the amendment proposes a methodology for measuring the pension liability to be presented in the employer's financial statement. No prediction can be made as to whether and in what form it might be adopted and as to any actual effects. However, financial statement presentation will not affect the pension funding methodologies described herein.

Other Post-Employment Benefits

Certain Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2009, which was updated as of July 1, 2010, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $3,316,000 and the annual required contribution for THDA is approximately $358,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2012. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution and the 2009 General Resolution. THDA funds which are not pledged under the General Resolution, the 1974 General Resolution or the 2009 General Resolution can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Issue 2011-1 Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Issue 2011-1 Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2011-1A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2011-1B Bonds and the Issue 2011-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2011-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2011-1B Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. An example of such legislation is the American Jobs Act of 2011 (S. 1549), proposed by the President and introduced in the Senate on September 13, 2011. If enacted as introduced, a provision of S. 1549 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Issue 2011-1 Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a “Premium Bond”) over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned the Offered Bonds a rating of Aa1 and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”) has assigned the Offered Bonds a rating of AA+. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody’s and Standard & Poor’s. THDA has furnished to Moody’s and Standard & Poor’s certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 2009 General Resolution, and the 1974 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2011-1 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2011-1 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared as described in "FINANCIAL STATEMENTS" below, and an annual updating of certain information relating to the Program Loans, including, without limitation, information with respect to the outstanding balances of such Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, and in Appendix E (collectively, "Annual Financial Information") and annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements. If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, with (i) the MRSB and (ii) the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Debt Service Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on credit enhancements, if any, for the Offered Bonds, reflecting financial difficulties; (v) substitution of credit or liquidity providers, if any, for the Offered Bonds, or their failure to perform; (vi) adverse tax opinions, or material notices of determinations with respect to the tax status of the Offered Bonds or other material events affecting the tax-exempt status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Issuer (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent of similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2011-1 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2011-1 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2011-1 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2011-1 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

Appendix A contains the audited financial statements of THDA and supplementary data as of and for the fiscal years ending June 30, 2011, and June 30, 2010, together with the letter thereon from Arthur A. Hayes, Jr., CPA, Director, Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee. Such audited financial statements and supplementary data are included herein in reliance upon the report thereon of such official. The audited financial statements are audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

UNDERWRITING

RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Keegan & Company, Inc., Citigroup Global Markets Inc., Raymond James & Associates, Inc., M.R. Beal & Company and Wiley Bros.—Aintree Capital, LLC (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at a purchase price of 100% of the principal amount thereof. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $915,599.15. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the 2011-1 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Issue 2011-1 Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ted R. Fellman
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

September 30, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2011, and June 30, 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other

responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2011, and June 30, 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we will issue a report dated September 30, 2011, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2011 and June 30, 2010. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2011, THDA has originated over 106,000 single-family mortgage loans in its 38-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements

of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at http://tennessee.gov/finance/act/cafr.html.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2011

- Total assets decreased by $180.0 million, or 6.2 %.
- Total liabilities decreased by $181.2 million, or 7.6%.
- Net assets (the amount that total assets exceeds total liabilities) were $520.0 million. This is an increase of $1.2 million, or 0.2%, from fiscal year 2010.
- Cash and cash equivalents decreased $193.9 million, or 38.4%.
- Total investments increased $23.8 million, or 11.2%.
- Bonds and notes payable decreased $176.7 million, or 7.6%.
- THDA originated $231.1 million in new loans, which is a decrease of $113.0 million, or 32.8%, from the prior year.

Year Ended June 30, 2010

- Total assets increased by $354.8 million, or 13.9 %.
- Total liabilities increased by $346.0 million, or 16.9%.
- Net assets (the amount that total assets exceeds total liabilities) were $518.8 million. This is an increase of $8.8 million, or 1.7%, from fiscal year 2009.
- Cash and cash equivalents increased $361.0 million, or 251.8%.
- Total investments decreased $139.2 million, or 39.7%.
- Bonds and notes payable increased $344.6 million, or 17.4%.
- THDA originated $344.0 million in new loans, which is an increase of $129.5 million, or 60.4%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Current assets	$ 304,429	$ 397,864	$ 313,017
Capital assets	157	79	29
Other noncurrent assets	2,430,331	2,516,989	2,247,094
Total assets	2,734,917	2,914,932	2,560,140
Current liabilities	150,534	193,765	145,096
Noncurrent liabilities	2,064,427	2,202,405	1,905,071
Total liabilities	2,214,961	2,396,170	2,050,167
Invested in capital assets	157	79	29
Restricted net assets	517,587	514,383	508,036
Unrestricted net assets	2,212	4,300	1,908
Total net assets	$ 519,956	$ 518,762	$ 509,973

2011to 2010

- THDA's total net assets increased $1.2 million, or 0.2%, from $518.8 million at June 30, 2010 to $520.0 million at June 30, 2011. While various factors accounted for this change, the most significant factors include a decrease in interest expense, an increase in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, an increase in other program expenses, and a decrease in federal grant administration fees.

- Mortgage loans receivable increased $3.8 million, or 0.2%, from $2,115.6 million at June 30, 2010 to $2,119.4 million at June 30, 2011. During FY 2011, single-family mortgage loan originations decreased $113.0 million, or 32.8% from $344.1 million in FY 2010 to $231.1 million in FY 2011. Conversely, mortgage loan prepayments (which includes loans in which a foreclosure sale has occurred) increased $0.9 million, or 0.5%, from $179.3 million in FY 2010 to $180.2 million in FY 2011.

- Total liabilities decreased $181.2 million, or 7.6%, from $2,396.2 million at June 30, 2010 to $2,215.0 million at June 30, 2011. The decrease is primarily due to a reduction in the amount of bonds issued during fiscal year 2011 as compared to fiscal year 2010, as well as an increase in the redemption of bonds as compared to fiscal year 2010.

2010 to 2009

- THDA's total net assets increased $8.8 million, or 1.7%, from $510.0 million at June 30, 2009 to $518.8 million at June 30, 2010. This resulted from operating revenues that exceeded operating expenses.

- Mortgage loans receivable increased $116.2 million, or 5.8%, from $1,999.4 million at June 30, 2009 to $2,115.6 million at June 30, 2010. This increase resulted from mortgage loan originations that exceeded mortgage loan prepayments and repayments.

- Total liabilities increased $346.0 million, or 16.9%, from $2,050.2 million at June 30, 2009 to $2,396.2 million at June 30, 2010. The increase is primarily due to a increase in the amount of bonds issued during fiscal year 2010 as compared to fiscal year 2009, primarily, the issuance of bonds in the Housing Finance Program Bonds Resolution.

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Operating revenues			
Mortgage interest income	$ 119,406	$ 118,572	$ 119,500
Investment income	6,156	14,517	17,905
Other	17,041	17,588	14,186
Total operating revenues	142,603	150,677	151,591
Operating expenses			
Interest expense	88,301	93,154	93,103
Other	38,905	32,677	29,931
Total operating expenses	127,206	125,831	123,034
Operating income	15,397	24,846	28,557
Nonoperating revenues (expenses)			
Grant revenues	355,754	254,417	186,800
Grant expenses	(369,957)	(270,474)	(199,132)
Total nonoperating revenues (expenses)	(14,203)	(16,057)	(12,332)
Change in net assets	$ 1,194	$ 8,789	$ 16,225

2011 to 2010
Total operating revenues decreased $8.1 million from $150.7 million for the year ended June 30, 2010 to $142.6 million for the year ended June 30, 2011. The primary reasons for this decrease are as follows:

- Investment income decreased $8.4 million, or 57.6%, from $14.5 million in 2010 to $6.2 million in 2011. This decrease is primarily due to a decrease in the fair value of investments of $4.9 million in FY 2011 as compared to an increase in the fair value of investments of $1.7 million in FY 2010.

- Federal grant administration fees decreased $1.2 million, or 8.1%, from $15.1 million in 2010 to $13.9 million in 2011. This primarily resulted from a decrease in federal administrative fees earned on the Section 8 tenant-based HCV program.

For the year ended June 30, 2011, total operating expenses increased $1.4 million, or 1.1%, from $125.8 million in 2010 to $127.2 million in 2011. The primary reasons for this increase are as follows:

- Interest expense decreased $4.9 million, or 5.2%, from $93.2 million in 2010 to $88.3 million in 2011. This decrease is primarily due to a decrease in bonds payable during FY 2011.

- Other program expenses increased $5.4 million, or 84.6%, from $6.4 million in 2010 to $11.9 million in 2011. There were several factors that contributed to this increase, among which were an increase in expenses related to mortgage loan foreclosures and incurring administrative expenses in administering ARRA grants as well as in implementing the Hardest Hit Fund (HHF).

2010 to 2009

For the year ended June 30, 2010, total operating revenues decreased $.9 million from $151.6 million for the year ended June 30, 2009, to $150.7 million for the year ended June 30, 2010.

For the year ended June 30, 2010, total operating expenses increased $2.8 million, or 2.3%, from $123.0 million in 2009 to $125.8 million for the year ended June 30, 2010.

While the total net assets for fiscal year 2010 increased $8.8 million from the previous year, the non-monetary change in the fair value of investments contributed $3.8 million toward this increase. When considered without these non-monetary components, net assets would have increased $5.0 million.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2011	2010	2009
Bonds payable	$ 2,140,486	$ 2,316,748	$ 1,972,561
Notes payable	3,250	3,672	3,250
Total bonds and notes payable	$ 2,143,736	$ 2,320,420	$ 1,975,811

Year Ended June 30, 2011

Total bonds and notes payable decreased $176.7 million, or 7.6%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $201.9 million, with activity arising from three bond issues.

Year Ended June 30, 2010

Total bonds and notes payable increased $344.6 million, or 17.4%, due primarily to an increase in the issuance of THDA's bonds. During the fiscal year, THDA issued debt totaling

$551.0 million, with activity arising from four bond issues. During FY 2010, THDA participated in the New Issue Bond Program (NIBP) as established by the United States Treasury Department. Principal redemptions during FY 2010 totaled $203.6 million.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designed, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	60,000,000	Bond Issue 2009-B, Subseries B-3

As of June 30, 2011, the amount of bonds remaining in the Issue 2009-B1 escrowed bonds was $94,710.000.

Considering the investment requirements for the NIBP escrowed bonds as established by the United States Treasury Department, the proceeds of these escrowed bonds are presented on the Statements of Net Assets as Non-Current Assets, Restricted Assets, Cash and Cash Equivalents. Bonds issued under the NIBP have been placed in the Housing Finance Program Bonds resolution.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

There were no revisions to THDA's bond ratings during FY 2011 or FY 2010.

Debt Limits

In accordance with *Tennessee Code Annotated* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2011	FY 2010	FY 2009 and Prior	Total
Funding Sources:				
THDA	$ 6,000,000	$ 6,000,000	$ 18,000,000	$ 30,000,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 2,100,000	$ 3,500,000
Ramp Program (UCP)	-	-	50,000	50,000
Ramp Program	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	-	300,000
Homebuyer Education Initiative	-	-	300,000	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	6,000,000	10,000,000
Competitive Grants	3,150,000	3,150,000	13,500,000	19,800,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2011, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2011, 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/singlefamily/hochoices.html.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2011, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,725	521	39,122,105	1.95%
90+ Days Past Due	26,725	1,085	81,167,263	4.06%
In Foreclosure	26,725	308	24,127,169	1.15%

As of June 30, 2010, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,756	657	46,015,708	2.46%
90+ Days Past Due	26,756	1,293	95,704,596	4.83%
In Foreclosure	26,756	136	10,466,566	0.51%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 203,071	$ 270,188
Investments (Note 2)	-	14,579
Receivables:		
Accounts	23,750	28,463
Interest	12,854	13,258
First mortgage loans	49,947	48,601
Due from federal government	14,807	22,775
Total current assets	304,429	397,864
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	107,502	234,268
Investments (Note 2)	196,928	181,751
Investment interest receivable	2,261	2,169
Investments (Note 2)	38,857	15,643
First mortgage loans receivable	2,069,473	2,066,997
Deferred charges	12,327	13,209
Advance to local government	2,983	2,952
Capital assets:		
Furniture and equipment	517	346
Less accumulated depreciation	(360)	(267)
Total noncurrent assets	2,430,488	2,517,068
Total assets	2,734,917	2,914,932
LIABILITIES		
Current liabilities:		
Warrants / wires payable (Note 3)	10,913	8,297
Accounts payable	5,121	6,617
Accrued payroll and related liabilities	472	443
Compensated absences	477	494
Interest payable	45,076	47,267
Escrow deposits	528	585
Prepayments on mortgage loans	1,662	1,862
Notes payable (Note 4)	3,250	-
Bonds payable (Note 4)	83,035	128,200
Total current liabilities	150,534	193,765
Noncurrent liabilities:		
Notes payable (Note 4)	-	3,672
Bonds payable (Note 4)	2,057,451	2,188,548
Compensated absences	517	451
Net OPEB obligation (Note 9)	994	794
Escrow deposits	4,248	4,393
Arbitrage rebate payable	1,217	4,547
Total noncurrent liabilities	2,064,427	2,202,405
Total liabilities	2,214,961	2,396,170
NET ASSETS		
Invested in capital assets	157	79
Restricted for single family bond programs (Note 5 and Note 7)	504,874	504,955
Restricted for grant programs (Note 5)	9,560	6,274
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,154
Unrestricted (Note 7)	2,212	4,300
Total net assets	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
OPERATING REVENUES		
Mortgage interest income	$ 119,406	$ 118,572
Investment income:		
Interest	11,042	12,846
Net increase (decrease) in the fair value of investments	(4,886)	1,671
Federal grant administration fees	13,916	15,136
Fees and other income	3,125	2,452
Total operating revenues	142,603	150,677
OPERATING EXPENSES		
Salaries and benefits	15,190	13,841
Contractual services	2,625	3,315
Materials and supplies	226	321
Rentals and insurance	97	90
Other administrative expenses	465	502
Other program expenses	11,878	6,433
Interest expense	88,301	93,154
Mortgage service fees	7,601	7,394
Issuance costs	730	723
Depreciation	93	58
Total operating expenses	127,206	125,831
Operating income	15,397	24,846
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	355,754	253,712
Other grants revenue	-	705
Federal grants expenses	(355,862)	(253,605)
Local grants expenses	(14,095)	(16,869)
Total nonoperating revenues (expenses)	(14,203)	(16,057)
Change in net assets	1,194	8,789
Total net assets, July 1	518,762	509,973
Total net assets, June 30	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 352,565	$ 338,749
Receipts from federal government	14,241	15,117
Other miscellaneous receipts	3,125	2,575
Acquisition of mortgage loans	(231,061)	(344,054)
Payments to service mortgages	(7,601)	(7,394)
Payments to suppliers	(21,317)	(11,543)
Payments to federal government	(3,331)	128
Payments to employees	(15,266)	(13,422)
Net cash provided (used) by operating activities	91,355	(19,844)
Cash flows from non-capital financing activities:		
Operating grants received	363,397	245,158
Negative cash balance implicitly financed (repaid)	2,616	(4,153)
Proceeds from sale of bonds	201,856	550,973
Proceeds from issuance of notes	-	500
Operating grants paid	(370,436)	(266,217)
Cost of issuance paid	(1,907)	(2,237)
Principal payments	(371,942)	(203,603)
Interest paid	(90,953)	(93,775)
Net cash provided (used) by non-capital financing activities	(267,369)	226,646
Cash flows from capital and related financing activities:		
Purchases of capital assets	(172)	(108)
Net cash (used) by capital and related financing activities	(172)	(108)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	282,923	450,136
Purchases of investments	(311,750)	(309,431)
Investment interest received	11,000	13,557
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	130	91
Net cash provided (used) by investing activities	(17,697)	154,353
Net increase (decrease) in cash and cash equivalents	(193,883)	361,047
Cash and cash equivalents, July 1	504,456	143,409
Cash and cash equivalents, June 30	$ 310,573	$ 504,456

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Reconciliation of operating income to		
net cash provided (used) by operating activities:		
Operating income	$ 15,397	$ 24,846
Adjustments to reconcile operating income to		
net cash provided (used) by operating activities:		
Depreciation and amortization	823	781
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,716	(7,506)
(Increase) decrease in mortgage interest receivable	352	(269)
(Increase) in first mortgage loans receivable	(3,854)	(116,213)
(Increase) decrease in due from federal government	325	(19)
(Increase) in deferred charges	(4,076)	(2,237)
Decrease in other receivables	-	123
Increase (decrease) in accounts payable	(1,420)	533
Increase in accrued payroll / compensated absences	278	116
(Decrease) in deferred revenue	-	(37)
Increase (decrease) in arbitrage rebate liability	(3,331)	1,401
Investment income included as operating revenue	(6,156)	(14,517)
Interest expense included as operating expense	88,301	93,154
Total adjustments	75,958	(44,690)
Net cash provided (used) by operating activities	$ 91,355	$ (19,844)
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ (3,643)	$ 3,789
Total noncash investing, capital, and financing activities	$ (3,643)	$ 3,789

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both

restricted and unrestricted resources are available for use, generally it is the agency's policy to use the restricted resources first.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the New Issue Bond Program (NIBP) 2009-B escrowed bond investments.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

The NIBP 2009-B escrowed bond investments are restricted for use in the 2009 resolution. These invested funds are restricted to be released, converted and blended with market rate bonds.

f. Bond Issuance Costs and Refunding Costs

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond Refunding Costs: The agency amortizes bond refunding costs using the straight-line method. Bonds payable is reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments

include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2011, the bank balance was $6,806,625. At June 30, 2010, the bank balance was $4,327,770. All bank balances at June 30, 2011 were insured, except the Bank of New York Mellon (BNYM) accounts. All bank balances at June 30, 2010 were insured. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2011, $4,304,256

was in the BNYM. Of this amount, $4,054,256 was above the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.tn.gov/treasury.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2011		**June 30, 2010**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$146,532,606	2.052	$110,758,327	1.464
U.S. Agency Discount	0	N/A	40,000,000	0.000
U.S. Treasury Coupon	89,252,190	5.248	91,214,027	5.898
U.S. Treasury Discount	94,789,957	0.073	214,769,030	0.000
Total	$330,574,753	1.803	$456,741,384	1.030

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.6875 of par on April 17, 2009. Although these securities were scheduled to mature on April 17, 2024, these bonds were called on July 17, 2010. The fair value of these securities on June 30, 2010, was $2,001,594 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,865,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on November 12, 2009. Although these securities were scheduled to mature on November 12, 2024, these bonds were called on August 12, 2010. The fair value of these securities on June 30, 2010, was $1,871,995 which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 6, 2010. Although these securities were scheduled to mature on January 6, 2025, these bonds were called on July 6, 2010. The fair value of these securities on June 30, 2010, was $5,001,563 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.50 of par on January 28, 2010. Although these securities were scheduled to mature on January 28, 2025, these bonds were called on January 28, 2011. The fair value of these securities on June 30, 2010, was $2,532,933 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 27, 2010. Although these securities were scheduled to mature on November 27, 2015, these bonds were called on December 23, 2010. The fair value of these securities on June 30, 2010, was $1,011,875 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.75 of par on August 26, 2010, and mature on August 26, 2022. The fair value of these securities on June 30, 2011, is $1,490,622 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.25% on August 26, 2013, to 3.5% on August 26, 2016, to 4.0% on August 26, 2019, to 6.0% on August 26, 2020, and to 8.0% on August 26, 2021. This investment is callable quarterly beginning on August 26, 2011, and ending on November 26, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.73 of par on September 30, 2010, and mature on September 30, 2015. The fair value of these securities on June 30, 2011, is $2,004,608 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.125% with a step-up option to 2.5% on September 30, 2012. This investment is callable quarterly beginning on March 30, 2011, and ending on September 30, 2012.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on September 29, 2010, and mature on September 29, 2025. The fair value of these securities on June 30, 2011, is $1,998,572 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on September 29, 2011, to 3.0% on September 29, 2012 and to 6.0% on September 29, 2013. This investment is callable quarterly beginning on December 29, 2010, and ending on December 29, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.55 of par on August 4, 2010, and mature on August 4, 2025. The fair value of these securities on June 30, 2011, is $1,971,350 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.5% on August 4, 2013, to 4.0% on August 4, 2016, to 5.0% on August 4, 2019, to 6.0% on August 4, 2021, to 7.0% on August 4, 2023, and to 8.0% on August 4, 2024. This investment is callable quarterly beginning on February 4, 2011 and ending on February 4, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on September 30, 2010, and mature on September 30, 2020. The fair value of these securities on June 30, 2011, is $2,007,976 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.5% on March 31, 2011, and to 4.0% on September 30, 2011. This investment is callable quarterly beginning on March 30, 2011 and ending on December 20, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on October 15, 2010, and mature on October 15, 2025. The fair value of these securities on June 30, 2011, is $2,000,916 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on October 15, 2011, to 5.0% on October 15, 2015, and to 6.0% on October 15, 2020. This investment is callable quarterly beginning on April 15, 2011 and ending on July 15, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on January 28, 2026. The fair value of these securities on June 30, 2011, is $2,996,115 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 5.0% on January 28, 2013, and to 6.0% on January 28, 2016. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 9, 2011, and mature on February 9, 2021. The fair value of these securities on June 30, 2011, is $3,003,411 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on February 9, 2013. This investment is callable quarterly beginning on August 9, 2011 and ending on November 9, 2013.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on July 28, 2016. The fair value of these securities on June 30, 2011, is $1,001,257 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on January 28, 2014. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 16, 2011, and mature on February 16, 2021. The fair value of these securities on June 30, 2011, is $4,004,460 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 4.0% on August 16, 2011, and to 6.0% on February 16, 2016. This investment is callable quarterly beginning on August 16, 2011 and ending on February 16, 2014.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.60 of par on June 17, 2011, and mature on December 17, 2025. The fair value of these securities on June 30, 2011, is $977,172 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.75% with a step-up option to 4.0% on December 17, 2015, to 4.25% on December 17, 2019, to 4.5% on December 17, 2021, to 5.0% on December 17, 2022, to 6.0% on December 17, 2023, and to 8.0% on December 17, 2024. This investment is callable quarterly beginning on September 17, 2011 and ending on December 17, 2013.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 30, 2011, and mature on June 30, 2016. The fair value of these securities on June 30, 2011, is $3,965,880 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.375% with a step-up option to 1.75% on June 30, 2013, to 2.0% on June 30, 2014, to 2.5% on December 30, 2014, to 3.0% on June 30, 2015, to 4.0% on September 30, 2015, to 5.0% on December 30, 2015, and to 6.0% on March 30, 2016. This investment is callable quarterly beginning on September 30, 2011 and ending on December 30, 2013.

The agency purchased $3,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.92 of par on May 6, 2011, and mature on July 14, 2015. The fair value of these securities on June 30, 2011, is $3,500,522 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on July 14, 2011, to 3.0% on July 14, 2012, to 4.0% on July 14, 2013, and to 5.0% on July 14, 2014. This investment is callable quarterly beginning on July 14, 2011 and ending on July 14, 2014.

The agency purchased $2,150,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on April 27, 2011, and mature on April 27, 2026. The fair value of these securities on June 30, 2011, is $2,166,542 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.5% with a step-up option to 6.0% on April 27, 2013. This investment is callable quarterly beginning on July 27, 2011 and ending on October 27, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.75 of par on May 18, 2011, and mature on May 18, 2026. The fair value of these securities on June 30, 2011, is $2,005,234 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on May 18, 2013. This investment is callable quarterly beginning on May 18, 2012 and ending on November 18, 2014.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2011 and June 30, 2010 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2011					
		U.S. Treasury / Agency[1]	**Credit Quality Rating**		
Investment Type	**Fair Value**		**AAA**	**AA-2**	**Not Rated**[3]
U.S. Agency Coupon	$146,532,606		$140,738,006	$5,176,721	$617,879
U.S. Treasury Coupon	89,252,190	$89,252,190			
U.S. Treasury Discount	94,789,957	94,789,957			
Repurchase Agreements	100,000,000				100,000,000
Total	$430,574,753	$184,042,147	$140,738,006	$5,176,721	$100,617,879

June 30, 2010						
		U.S. Treasury / Agency[1]	**Credit Quality Rating**			
Investment Type	**Fair Value**		**AAA**	**AA-2**	**A-1+**[2]	**Not Rated**[3]
U.S. Agency Coupon	$110,758,327		$104,877,194	$5,226,172		$654,961
U.S. Agency Discount	40,000,000				$40,000,000	
U.S. Treasury Coupon	91,214,027	$91,214,027				
U.S. Treasury Discount	214,769,030	214,769,030				
Repurchase Agreements	124,000,000					124,000,000
Total	$580,741,384	$305,983,057	$104,877,194	$5,226,172	$40,000,000	$124,654,961

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2011		June 30, 2010	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$24,769,777	5.75	$51,165,877	8.81
Federal Home Loan Mortgage Corp	$32,375,496	7.52	N/A	N/A
Federal National Mortgage Assoc	$75,255,894	17.48	$73,222,727	12.61
Repurchase Agreements – Morgan Stanley Dean Witter	$60,000,000	13.93	$101,000,000	17.39
Repurchase Agreements – UBS	$40,000,000	9.29	$23,000,000	3.96

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. As stated in GASB Statement 40, these are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are primarily for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$75,280	$93,060
Less: Deferred Amount on Refundings				(2,579)	(2,730)
Net Mortgage Finance Program Bonds				$72,701	$90,330

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
1996-5	7/1/99-7/1/2028	$60,000	3.85 to 5.75	$ -0-	$17,480
1997-1	7/1/99-7/1/2028	57,885	4.00 to 5.40	-0-	17,285
1997-2	7/1/2000-7/1/2029	50,000	3.20 to 5.20	-0-	11,450
1998-1	7/1/2001-7/1/2030	50,000	3.95 to 5.40	-0-	11,885
1998-2	7/1/2000-7/1/2029	30,000	4.00 to 5.375	-0-	5,625
1998-3	7/1/2000-7/1/2031	80,000	3.70 to 6.15	-0-	13,355
1999-1	7/1/2001-7/1/2031	41,000	3.95 to 6.25	-0-	5,850
1999-2	7/1/2001-7/1/2031	150,000	4.25 to 5.70	-0-	17,150
2000-2	7/1/2001-7/1/2031	110,000	5.00 to 7.93	-0-	16,290
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	56,585	61,045
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	17,840	21,255
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	16,145	19,855
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	24,950	29,115
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	28,420	33,865
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	19,965	23,145
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	28,265	32,615
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	32,995	38,555
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	39,750	46,495
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	51,950	60,715
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	55,070	64,665
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	63,655	72,745
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	62,830	75,235
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	66,840	79,910
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	62,950	76,240
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	70,720	83,515
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	75,135	87,615

BONDS ISSUED AND OUTSTANDING

(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	94,160	107,360
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	114,055	131,330
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	118,230	135,560
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	47,050	53,810
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	37,405	45,040
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	68,525	82,595
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	21,185	29,390
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	46,795	49,450
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	70,085	75,000
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	115,295	-0-
Total Homeownership Program Bonds		$3,019,555		$1,506,850	$1,732,490
Plus: Unamortized Bond Premiums				15,315	21,689
Less: Deferred Amount on Refundings				(3,387)	(3,086)
Net Homeownership Program Bonds				$1,518,778	1,751,093

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.900 to 4.625	$97,540	$100,000
2009-B	7/1/2041	300,000	Variable	94,710	214,710
2010-A	1/1/2011-7/1/2041	74,710	0.600 to 5.0	155,435	160,000
2010-B	7/1/2011–7/1/2041	40,000	0.45 to 4.50	99,625	-0-
2011-A	7/1/2011-7/1/2041	40,000	0.45 to 4.50	100,000	-0-
Total Housing Finance Program Bonds		$554,710		$547,310	$474,710
Plus: Unamortized Bond Premiums				1,805	730
Less: Deferred Amount on Refundings				(108)	(115)
Net Housing Finance Program Bonds				$549,007	$475,325
Net Total All Issues				$2,140,486	$2,316,748

The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA may release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The interest rate on the 2009-B bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2011 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2012	$78,021	$90,083	$168,104
2013	50,000	89,091	139,091
2014	50,865	87,530	138,395
2015	51,550	85,803	137,353
2016	53,635	83,911	137,546
2017 – 2021	231,488	389,628	621,116
2022 – 2026	332,608	333,122	665,730
2027 – 2031	245,998	257,470	503,468
2032 – 2036	320,252	196,089	516,341
2037 – 2041	432,373	84,174	516,547
2042	299,770	3,743	303,513
Total	$2,146,560	$1,700,644	$3,847,204

The debt principal in the preceding table is $6,074,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the year ended June 30, 2011, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $12,260,000, in the Homeownership Program in the amount of $317,390,000 and in the Housing Finance Program in the amount of $5,780,000. The respective carrying values of the bonds were $12,214,245, $321,059,321 and $5,768,558. This resulted in an expense to the Mortgage Finance Program of $45,755 and to the Housing Finance Program of $11,442 and in income to the Homeownership Program of $3,669,321.

On October 13, 2010, the agency issued $120,700,000 in Homeownership Program Bonds, Issue 2010-1. On November 1, 2010, the agency used $99,835,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $99,835,000 early redemption). The carrying amount of these bonds was $99,371,651. The refunding resulted in a difference of $463,349 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $22,227,781 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $10,476,679.

During the year ended June 30, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $168,625,000. The respective carrying values of the bonds were $10,651,667 and

$170,939,715. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,314,715.

On June 17, 2010, the agency issued $74,710,000 in Housing Finance Program Bonds, Issue 2010-A. On June 17, 2010, the agency used $20,595,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $20,595,000 early redemption). The carrying amount of these bonds was $20,478,986. The refunding resulted in a difference of $116,014 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $5,910,703 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,812,047.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2011.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
Notes Payable	$3,672	$-0-	($422)	$3,250	$3,250
Bonds Payable	2,300,260	200,700	(371,520)	2,129,440	83,035
Plus: Unamortized Bond Premiums	22,419	1,156	(6,455)	17,120	-0-
Less: Deferred Amount on Refundings	(5,931)	(1,099)	956	(6,074)	-0-
Compensated Absences	945	66	(17)	994	477
Net OPEB Obligation	794	200	(-0-)	994	-0-
Escrow Deposits	4,978	903	(1,105)	4,776	528
Arbitrage Rebate Payable	4,547	2,552	(5,882)	1,217	-0-
Deferred Revenue	-0-	1,231	(1,231)	-0-	-0-
Total	$2,331,684	$205,709	($385,676)	$2,151,717	$87,290

The following table is a summary of the long-term liability activity for the year ended June 30, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Notes Payable	$3,250	$500	($78)	$3,672	$-0-
Bonds Payable	1,954,075	549,710	(203,525)	2,300,260	128,200
Plus: Unamortized Bond Premiums	25,377	1,263	(4,221)	22,419	-0-
Less: Deferred Amount on Refundings	(6,891)	(125)	1,085	(5,931)	-0-
Compensated Absences	1,072	117	(244)	945	494
Net OPEB Obligation	602	235	(43)	794	-0-
Escrow Deposits	4,884	4,535	(4,441)	4,978	585
Arbitrage Rebate Payable	3,146	2,043	(642)	4,547	-0-
Deferred Revenue	37	76	(113)	-0-	-0-
Total	$1,985,552	$558,354	($212,222)	$2,331,684	$129,279

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provided temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2009, after which the notes were to be available to reissue. Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency was allowed to hold its outstanding notes purchased from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2010; however, the notes matured on August 12, 2010. In accordance with the Financial Accounting Standards Board Statement 76 Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 at 3% for the Preserve Loan Program, which is part of the Housing Trust

Fund. Principal and interest are paid monthly with the principal maturing on August 4, 2012, however the note was paid off on June 17, 2011.

The activity of the promissory note is also included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state’s website at www.tn.gov/treasury/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS’ Board of Trustees. The agency’s contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were $1,585,654, $1,295,272, and $1,201,303. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2011, and June 30, 2010, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated,* Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated,* Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-101. In previous fiscal years, prior to reaching the age of 65 all members had the option of choosing a preferred

provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2011, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy. The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; 25 years, $37.50; and 20 years, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2011	June 30, 2010
Annual Required Contribution (ARC)	$358	$351
Interest on the Net OPEB Obligation	36	25
Adjustment to the ARC	(34)	(24)
Annual OPEB cost	360	352
Amount of contribution	(160)	(160)
Increase in Net OPEB Obligation	200	192
Net OPEB obligation-beginning of year	794	602
Net OPEB obligation-end of year	$994	$794

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2009	State Employee Group Plan	$ 449	29%	$ 602
6/30/2010	State Employee Group Plan	$ 352	45%	$ 794
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2010, was as follows (Thousands):

Actuarial valuation date	7/01/2010
Actuarial accrued liability (AAL)	$ 3,316
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 3,316
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 8,640
UAAL as a percentage of covered payroll	38%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2010, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent for fiscal year 2011. The rate decreased to 9.5 percent for fiscal year 2012 and then reduced by decrements of .5 percent per year to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2011, the State of Tennessee made payments of $3,525 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2010, made payments of $2,657. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2011	Mortgage Finance Program	$ 3,085,000
	Homeownership Program	$46,515,000
	Housing Finance Program	$ 2,580,000
	Total	$52,180,000

b. On August 5, 2011, Standard and Poor's (S&P) downgraded its rating on U.S. long term debt from AAA to AA+. On August 8, 2011, S&P downgraded Fannie Mae, Freddie Mac and the 10 Federal Home Loan Banks (FHLBs) from an AAA rating to AA+.

c. Housing Finance Program Bonds, Issue 2011-B, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-B	7/1/2012-1/1/2028	$40,000	0.250 to 4.500
TOTAL ALL ISSUES		$40,000	

d. Housing Finance Program Bonds, Issue 2009-B, Subseries B-4, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-4	7/1/2041	$60,000	2.92
TOTAL ALL ISSUES		$60,000	

e. Housing Finance Program Bonds, Issue 2011-C, were authorized by the Board of directors on September 27, 2011, not to exceed $65,290,000.

f. Housing Finance Program Bonds, Issue 2009-B, Subseries B-5, were authorized by the Board of directors on September 27, 2011, not to exceed $34,710,000.

g. Homeownership Program Bonds, Issue 2011-1, were authorized by the Board of directors on September 27, 2011, not to exceed $150,000,000.

h. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

October 1, 2011	Mortgage Finance Program	$ 3,530,000
	Homeownership Program	$49,400,000
	Housing Finance Program	$ 4,420,000
	Total	$57,350,000

Note 13. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF INDEPENDENT AUDITOR'S REPORT

a. Housing Finance Program Bonds, Issue 2011-C, were sold on November 3, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-C	1/1/2012-1/1/2028	$65,290	0.400 to 4.300
TOTAL ALL ISSUES		$65,290	

b. Housing Finance Program Bonds, Issue 2009-B, Subseries B-5, were sold on November 3, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-5	7/1/2041	$34,710	2.470
TOTAL ALL ISSUES		$34,710	

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	State Employee Group Plan	$ -0-	$ 3,902	$ 3,902	0%	$ 9,595	41%
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,887	$ 27,904	$ 145,552	$ 27,728	$ -	$ 203,071
Receivables:						
Accounts	3	910	21,749	1,088	-	23,750
Interest	74	1,007	9,670	2,103	-	12,854
First mortgage loans	9	5,274	36,755	7,909	-	49,947
Due from federal government	14,807	-	-	-	-	14,807
Due from other funds	2,180	1,400	-	-	-	3,580
Total current assets	18,960	36,495	213,726	38,828	-	308,009
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	4,300	675	7,708	94,819	-	107,502
Investments	-	16,799	165,177	14,952	-	196,928
Investment Interest receivable	-	152	1,966	143	-	2,261
Investments	-	16,077	18,262	4,518	-	38,857
First mortgage loans receivable	1,527	141,770	1,490,872	435,304	-	2,069,473
Deferred charges	1	354	9,621	2,351	-	12,327
Advance to local government	2,983	-	-	-	-	2,983
Capital assets:						
Furniture and equipment	517	-	-	-	-	517
Less accumulated depreciation	(360)	-	-	-	-	(360)
Total noncurrent assets	8,968	175,827	1,693,606	552,087	-	2,430,488
Total assets	27,928	212,322	1,907,332	590,915	-	2,738,497
LIABILITIES						
Current liabilities:						
Warrants / wires payable	10,913	-	-	-	-	10,913
Accounts payable	5,024	7	67	23	-	5,121
Accrued payroll and related liabilities	472	-	-	-	-	472
Compensated absences	477	-	-	-	-	477
Interest payable	-	1,887	36,096	7,093	-	45,076
Escrow deposits	-	528	-	-	-	528
Prepayments on mortgage loans	-	92	1,190	380	-	1,662
Due to other funds	471	2,052	1,057	-	-	3,580
Notes payable	3,250	-	-	-	-	3,250
Bonds payable	-	5,625	70,245	7,165	-	83,035
Total current liabilities	20,607	10,191	108,655	14,661	-	154,114
Noncurrent liabilities:						
Bonds payable	-	67,076	1,448,532	541,843	-	2,057,451
Compensated absences	517	-	-	-	-	517
Net OPEB obligation	994	-	-	-	-	994
Escrow deposits	271	3,977	-	-	-	4,248
Arbitrage rebate payable	-	-	1,217	-	-	1,217
Total noncurrent liabilities	1,782	71,053	1,449,749	541,843	-	2,064,427
Total liabilities	22,389	81,244	1,558,404	556,504	-	2,218,541
NET ASSETS						
Invested in capital assets	157	-	-	-	-	157
Restricted for single family bond programs	-	121,535	348,928	34,411	-	504,874
Restricted for grant programs	17	9,543	-	-	-	9,560
Restricted for Homebuyers Revolving Loan Prograr	3,153	-	-	-	-	3,153
Unrestricted	2,212	-	-	-	-	2,212
Total net assets	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
OPERATING REVENUES						
Mortgage interest income	$ 76	$ 7,073	$ 93,952	$ 18,305	$ -	$ 119,406
Investment income:						
Interest	(81)	1,387	9,235	501	-	11,042
Net (decrease) in the fair value of investments	-	(573)	(4,118)	(195)	-	(4,886)
Federal grant administration fees	13,916	-	-	-	-	13,916
Fees and other income	3,031	94	-	-	-	3,125
Total operating revenues	16,942	7,981	99,069	18,611	-	142,603
OPERATING EXPENSES						
Salaries and benefits	15,190	-	-	-	-	15,190
Contractual services	2,625	-	-	-	-	2,625
Materials and supplies	226	-	-	-	-	226
Rentals and insurance	97	-	-	-	-	97
Other administrative expenses	465	-	-	-	-	465
Other program expenses	1,124	4,460	6,215	81	(2)	11,878
Interest expense	111	4,226	72,065	11,899	-	88,301
Mortgage service fees	-	454	5,918	1,229	-	7,601
Issuance costs	-	38	621	71	-	730
Depreciation	93	-	-	-	-	93
Total operating expenses	19,931	9,178	84,819	13,280	(2)	127,206
Operating income (loss)	(2,989)	(1,197)	14,250	5,331	2	15,397
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	355,482	272	-	-	-	355,754
Federal grants expenses	(355,379)	(483)	-	-	-	(355,862)
Local grants expenses	(485)	(5,733)	(7,877)	-	-	(14,095)
Total nonoperating revenues (expenses)	(382)	(5,944)	(7,877)	-	-	(14,203)
Income (loss) before transfers	(3,371)	(7,141)	6,373	5,331	2	1,194
Transfers (to) other funds	-	-	(15,545)	-	(8)	(15,553)
Transfers from other funds	1,175	7,379	-	6,999	-	15,553
Change in net assets	(2,196)	238	(9,172)	12,330	(6)	1,194
Total net assets, July 1	7,735	130,840	358,100	22,081	6	518,762
Total net assets, June 30	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Cash flows from operating activities:						
Receipts from customers	$ -	$ 23,424	$ 300,712	$ 28,429	$ -	$ 352,565
Receipts from federal government	14,241	-	-	-	-	14,241
Receipts from other funds	-	1,972	1,057	-	-	3,029
Other miscellaneous receipts	3,031	94	-	-	-	3,125
Acquisition of mortgage loans	-	(9,315)	(2,150)	(219,596)	-	(231,061)
Payments to service mortgages	-	(454)	(5,918)	(1,229)	-	(7,601)
Payments to suppliers	(6,476)	(4,429)	(10,359)	(55)	2	(21,317)
Payments to federal government	-	-	(3,054)	(199)	(78)	(3,331)
Payments to other funds	(3,029)	-	-	-	-	(3,029)
Payments to employees	(15,266)	-	-	-	-	(15,266)
Net cash provided (used) by operating activities	(7,499)	11,292	280,288	(192,650)	(76)	91,355
Cash flows from non-capital financing activities:						
Operating grants received	363,125	272	-	-	-	363,397
Transfers in (out)	1,175	7,379	(15,545)	6,999	(8)	-
Negative cash balance implicitly financed (repaid)	2,616	-	-	-	-	2,616
Proceeds from sale of bonds	-	-	120,700	81,156	-	201,856
Operating grants paid	(356,343)	(6,216)	(7,877)	-	-	(370,436)
Cost of issuance paid	-	-	(989)	(918)	-	(1,907)
Principal payments	(422)	(17,780)	(346,340)	(7,400)	-	(371,942)
Interest paid	(111)	(4,481)	(79,360)	(7,001)	-	(90,953)
Net cash provided (used) by non-capital financing activities	10,040	(20,826)	(329,411)	72,836	(8)	(267,369)
Cash flows from capital and related financing activities:						
Purchases of capital assets	(172)	-	-	-	-	(172)
Net cash (used) by capital and related financing activities	(172)	-	-	-	-	(172)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	63,883	201,160	25,026	-	290,069
Purchases of investments	-	(63,317)	(218,284)	(37,295)	-	(318,896)
Investment interest received	44	1,408	9,095	453	-	11,000
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	1	16	113	-	130
Net cash provided (used) by investing activities	44	1,975	(8,013)	(11,703)	-	(17,697)
Net increase (decrease) in cash and cash equivalents	2,413	(7,559)	(57,136)	(131,517)	(84)	(193,883)
Cash and cash equivalents, July 1	3,774	36,138	210,396	254,064	84	504,456
Cash and cash equivalents, June 30	$ 6,187	$ 28,579	$ 153,260	$ 122,547	$ -	$ 310,573

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (2,989)	$ (1,197)	$ 14,250	$ 5,331	$ 2	$ 15,397
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	93	38	621	71	-	823
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	587	4,577	(448)	-	4,716
(Increase) decrease in mortgage interest receivable	(74)	179	1,480	(1,233)	-	352
(Increase) decrease in first mortgage loans receivable	(1,307)	6,507	198,892	(207,946)	-	(3,854)
Decrease in due from federal government	325	-	-	-	-	325
(Increase) decrease in deferred charges	-	46	(4,133)	11	-	(4,076)
Decrease in interfund receivables	-	1,972	1,057	-	-	3,029
(Decrease) in interfund payables	(3,029)	-	-	-	-	(3,029)
Increase (decrease) in accounts payable	(988)	(252)	(350)	170	-	(1,420)
Increase in accrued payroll / compensated absences	278	-	-	-	-	278
(Decrease) in arbitrage rebate liability	-	-	(3,054)	(199)	(78)	(3,331)
Investment income included as operating revenue	81	(814)	(5,117)	(306)	-	(6,156)
Interest expense included as operating expense	111	4,226	72,065	11,899	-	88,301
Total adjustments	(4,510)	12,489	266,038	(197,981)	(78)	75,958
Net cash provided (used) by operating activities	$ (7,499)	$ 11,292	$ 280,288	$ (192,650)	$ (76)	$ 91,355
Noncash investing, capital, and financing activities:						
(Decrease) in fair value of investments	-	(303)	(3,135)	(205)	-	(3,643)
Total noncash investing, capital, and financing activities	$ -	$ (303)	$ (3,135)	$ (205)	$ -	$ (3,643)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
JUNE 30, 2011
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,162	$ 17,660	$ 27,822	$ 82	$ 27,904
Receivables:					
Accounts	343	562	905	5	910
Interest	825	156	981	26	1,007
First mortgage loans	4,897	377	5,274	-	5,274
Due from other funds	-	1,400	1,400	-	1,400
Total current assets	16,227	20,155	36,382	113	36,495
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	675	-	675	-	675
Investments	16,799	-	16,799	-	16,799
Investment interest receivable	152	-	152	-	152
Investments	617	12,411	13,028	3,049	16,077
First mortgage loans receivable	139,269	2,501	141,770	-	141,770
Deferred charges	354	-	354	-	354
Total noncurrent assets	157,866	14,912	172,778	3,049	175,827
Total assets	174,093	35,067	209,160	3,162	212,322
LIABILITIES					
Current liabilities:					
Accounts payable	-	7	7	-	7
Interest payable	1,887	-	1,887	-	1,887
Escrow deposits	-	-	-	528	528
Prepayments on mortgage loans	89	3	92	-	92
Due to other funds	1,400	652	2,052	-	2,052
Bonds payable	5,625	-	5,625	-	5,625
Total current liabilities	9,001	662	9,663	528	10,191
Noncurrent liabilities:					
Bonds payable	67,076	-	67,076	-	67,076
Escrow deposits	-	1,538	1,538	2,439	3,977
Total noncurrent liabilities	67,076	1,538	68,614	2,439	71,053
Total liabilities	76,077	2,200	78,277	2,967	81,244
NET ASSETS					
Restricted for single family bond programs	98,016	23,324	121,340	195	121,535
Restricted for grant programs	-	9,543	9,543	-	9,543
Total net assets	$ 98,016	$ 32,867	$ 130,883	$ 195	$ 131,078

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.

** The Escrow Funds can only be used for escrow payments.

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank, Magna Bank and First Horizon Bank (recently purchased by Met Life) (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 80% of THDA's entire portfolio of mortgage loans. Magna Bank and Met Life, through a sub-servicing agreement with U.S. Bank, service the remainder. THDA itself is also permitted to service Program Loans although it has not done so to date. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the

event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The General Homeownership Resolution, as amended (the "General Resolution"), contains various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from THDA or the Trustee.

Definitions (Section 1.2)

"Bond" means one of the bonds authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds issued pursuant to Article II.

Debt Service Reserve Fund" means the Debt Service Reserve Fund established pursuant to Section 5.1.

"Debt Service Reserve Fund Requirement" means, as of any date of calculation the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"Fund" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but not limited to:

- All direct or fully guaranteed United States Treasury;
- Certificates of beneficial ownership issued by the Farmers Home Administration;
- Participation certificates issued by General Services Administration;
- U.S. Maritime Administration guaranteed Title XI financing;
- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;
- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);
- Local authority bonds of the United States Department of Housing and Urban Development;

- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and
- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)
- Consolidated system-wide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)
- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)
- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);
- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC) - backed issues issued by Student Loan Marketing Association (SLMA);
- Debt obligations issued by Financing Corp. (FICO);
- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least 'A-1' by S&P and 'P-1' by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least 'AA' by S&P and 'Aa' by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least 'aam' or 'AAm-G' by S&P and 'Aaa' by Moody's;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least 'AA' by S&P and 'Aa' by Moody's or commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's;

(10) Stripped securities

(i) U.S. Treasury STRIPS

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least 'AA' by S&P and 'Aa' by Moody's; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody's.

"Issuance Amount" shall mean the price, exclusive of accrued interest (if any) which is payable on a semiannual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, THDA Costs of Issuance, or similar costs.

"Loan Fund" means the Loan Fund established in Section 5.1.

"Non-Mortgage Receipts" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Resolution, but shall not include Revenues.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"Program" means the program for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"Program Expenses" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans, payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"Program Loan Loss Coverage" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"Projected Cash Flow Statement" means a certificate of an Authorized Officer of THDA setting forth for the current and each succeeding fiscal year in which Bonds are scheduled to be outstanding, THDA's estimate of, among other things: (i) the Revenues, other than Prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds; (ii) the aggregate amount of prepayments of Program Loans which THDA reasonably expects to receive with respect to such Program Loans and which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution; (iii) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rates used in

estimating such amounts; (iv) the amount, if any, expected to be withdrawn from the Debt Service Reserve Fund, provided, the amount on deposit in such Fund is expected to at least equal the Debt Service Reserve Fund Requirement immediately after such withdrawal and the withdrawal is permitted under the General Resolution; (v) the aggregate Debt Service on Outstanding Bonds during such fiscal year; and (vi) all Program Expenses during such fiscal year.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.1.

"Revenues" means all payments, proceeds, rents, charges, and other cash income received by THDA from or on account of any Program Loan including scheduled, delinquent and advance payments of any insurance proceeds with respect to principal and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicer as compensation for services rendered in connection with the Program Loan and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

Resolution Constitutes Contract (Section 2.2)

The General Resolution constitutes a contract between THDA and the holders of the Bonds and the pledges, covenants and agreements to be performed by THDA are for the equal benefit, protection and security of the holders of any and all of the Bonds..

Obligation of Bonds (Section 2.3)

The Bonds will be special limited obligations of THDA payable only from the revenues and assets pledged therefor. These revenues and assets include the following: mortgage receipts; non-mortgage receipts, including interest earned from the investment of funds in the Escrow Fund or any other Fund or Account; and right, title, and interest in and to the Program Loans.

Provisions for Issuance of Bonds (Sections 2.4, 2.6, 7.3, and 7.15)

The General Resolution authorizes Bonds to be issued from time to time in accordance with its terms without limitation as to amount except as provided by law. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(1) a Bond Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the General Resolution;

(2) the amount of the proceeds of such Series to be deposited with the Trustee pursuant to the General Resolution (see "Application of Bond Proceeds" below):

(3) except in the case of the initial or a refunding issue, a certificate of an authorized officer stating that THDA is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution and that all other conditions for the issuance of additional Bonds have been met; and

(4) except in the case of a refunding issue, a Projected Cash Flow Statement, as described in Appendix D, showing that the estimated Revenues for each fiscal year in which Bonds will be outstanding, together with any amount scheduled to be withdrawn from the Debt Service Reserve Fund (and permitted to be so withdrawn pursuant to the Resolution), will be sufficient for the payment of the estimated debt service and program expenses for such fiscal year.

Provisions for Refunding Issues (Section 2.7)

Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption of all Bonds to be refunded and to give published notice as required of the redemption of such Bonds and either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or certificates of deposit secured by such obligations, which by their terms will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in the Redemption Account established under the General Resolution.

Application of Bond Proceeds (Sections 4.1 and 4.3)

As soon as practicable upon the delivery of each Series of Bonds, other than refunding Bonds, an amount necessary to cause the amount on deposit in the Debt Service Reserve Fund to at least equal the Debt Service Reserve Fund Requirement immediately after such delivery is required to be deposited in the Debt Service Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in such Fund are to be deposited at the direction of an Authorized Officer.

Amounts in the Loan Fund may not be expended and applied for the financing of a Program Loan unless the note issued to evidence the Program Loan and a mortgage securing the Program Loan have been duly executed and, among other things:

(1) the mortgage securing such Program Loan constitutes a first lien, subject only to Permitted Encumbrances, on the real property or interest therein securing such Program Loan and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

(2) the eligible borrower has entered into a binding agreement with or for the benefit of THDA that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens levied against the premises or any part thereof, and in the case of default in the payment thereof THDA, without notice or demand to the mortgagor, may pay the same and the amount will be a lien on the premises added to the amount of the Program Loan;

(3) the eligible borrower must covenant that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of obtaining the residential housing financed by the Program Loan;

(4) the eligible borrower must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA and that it will maintain the premises in good repair and comply with all requirements of governmental authorities relating thereto; and

(5) the eligible borrower must obtain a policy of title insurance insuring THDA that the mortgage is valid and enforceable in the full amount of the Program Loan.

(6) the Program Loan must be (i) insured by the Federal Housing Administration, (ii) guaranteed by the Rural Economic Community Development Corp. (formerly Farmers Home Administration) or the Veteran's Administration, (iii) insured or guaranteed by a successor federal or state agency, (iv) have a principal amount not exceeding 78% of the value of the property securing such Program Loan as determined in an appraisal by or acceptable to THDA, or (v) be insured to the extent of any excess over such percentage by a private mortgage insurance company acceptable to THDA and meeting the requirements of the Resolution.

Deposits and Investments (Sections 4.5, 4.6 and 4.7)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be deposited in interest-bearing time deposits, repurchase agreements or certificates of deposit or be the subject of similar banking arrangements with commercial banks, savings and loans or investment dealers and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of THDA and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Debt Service Reserve Fund Requirement at the time of initial funding from Bond proceeds, the issuance of additional obligations and for any other purpose under the General Resolution, such obligations shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made as soon as practicable prior to each interest payment date and at any other time required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

Establishment of Funds and Accounts (Section 5.1)

The General Resolution establishes the following special trust funds and accounts which are to be held by the Trustee:

(1) Loan Fund;

(2) Revenue Fund,
Debt Service and Expense Account,
Non-Mortgage Receipts Account, and
Redemption Account;

(3) Debt Service Reserve Fund; and

(4) Escrow Fund.

Loan Fund (Section 5.2)

In addition to proceeds of a Series of Bonds, amounts are required to be deposited in the Loan Fund from the Revenue Fund under certain circumstances as more fully described below (see “Revenue Fund”). Amounts in the Loan Fund may be expended only to pay the cost of financing Program Loans, to pay reasonable and necessary Costs of Issuance, and to make deposits in the Debt Service and Expense Account with respect to capitalized interest. Amounts in the Loan Fund may, however, be transferred to the Revenue Fund if a Projected Cash Flow Statement is delivered to the Trustee. At the direction of THDA, the Trustee may transfer amounts in the Loan Fund to the Redemption Account or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds are subject to redemption or payment from such amounts, but only if there is delivered to the Trustee a Projected Cash Flow Statement and a certificate of an Authorized Officer stating that, in the judgment of THDA, the estimated Revenues available after the payment of estimated Debt Service on the Bonds and Program expenses are greater than they would have been if all or a portion of such amounts had been applied to the financing of Program Loans.

Revenue Fund (Section 5.3)

The General Resolution establishes the following trust accounts within the Revenue Fund: the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account.

Debt Service and Expense Account. All Revenues are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Debt Service and Expense Account within the Revenue Fund. The Trustee is required to make payments out of the Debt Service and Expense Account to the Paying Agents as follows: (a) on or before each interest payment date, the amounts required for the payment of principal installments, if any, and interest due on the Bonds on such date and (b) on or before the Redemption Date or date of

purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless such interest is otherwise provided for.

Prior to the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee may, and if so directed by THDA is required to, apply any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) as follows: (a) to the purchase of the Bonds for which such Sinking Fund Payment was established, at prices not exceeding the Redemption Price for such Bonds if they are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, or (b) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (a) hereof. Upon such purchase or redemption of any Bond, an amount equal to the principal amount of the Bond so purchased or redeemed will be credited to the Sinking Fund Payment next coming due. The excess of the amounts so credited over the amount of such Sinking Fund Payment will be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise directed by THDA.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and Maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Within ninety days after the close of each Fiscal Year, THDA is required to file with the Trustee a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amount to the Loan Fund as provided in clause (b) of this sentence) which states (a) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments made on each interest payment date as described above and (b) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Upon receipt thereof, the Trustee is required to transfer from the Debt Service and Expense Account an amount equal to the amount stated in clause (a) above as follows:

> FIRST: From the amount so available the amount, if any, by which the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service Reserve Fund.
>
> SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.
>
> THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred and if such Projected Cash Flow Statement does not comply with subsection 7.11(C) the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).
>
> FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with THDA's tax covenants described below, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this provision shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph,

there shall be excluded from the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Debt Service Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

The Trustee may at any time, upon the written direction of an Authorized Officer (a) make transfers from the Debt Service and Expense Account to the Debt Service Reserve Fund or the Redemption Account for the purposes of such Fund or Account or (b) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer is to be made, however, unless there is on deposit in the Debt Service and Expense Account and the Non-Mortgage Receipts Account after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment, plus an amount equal to the cumulative amount of prepayments received by THDA during such fiscal year which exceeds the amount of prepayments estimated to be applied to the payment of Debt Service during such fiscal year in the most recent Projected Cash Flow Statement delivered to the Trustee by THDA. In addition no such transfers shall be made until a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses is to be made unless the revenue statement to be delivered to the Trustee for each preceding month as described below shows that accrued Revenues exceed accrued Debt Service.

No payments are required to be made into the Debt Service and Expense Account so long as the amount on deposit therein is sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any purpose of THDA free and clear of the lien of the pledge of the General Resolution.

Redemption Account. There are to be deposited in the Redemption Account any amounts required by the General Resolution to be so deposited and any other amounts available therefor and determined by THDA to be deposited therein. The Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date as described under "Redemption of Bonds."

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds to be so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless otherwise directed by THDA.

Non-Mortgage Receipts Account. All Non-Mortgage Receipts received by the Trustee are to be promptly deposited in the Non-Mortgage Receipts Account. The Trustee is required to maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund, the Debt Service Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund. If so directed by THDA, the Trustee must maintain such records separately for each Series of Bonds.

Semi-annually not later than each Interest Payment Date, the Trustee is required to transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of such transfers, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

Any amount remaining in the Non-Mortgage Receipts Account after the semi-annual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account or the Escrow Fund.

Debt Service Reserve Fund (Section 5.4)

If on any Interest Payment Date or Redemption Date, the amounts on deposit in the Revenue Fund and the Redemption Fund are less than the amount required for the payments due on the Bonds on such date, the Trustee is to apply amounts from the Debt Service Reserve Fund to the extent required to make good the deficiency.

If concurrently with the allocation from the Revenue Fund, the amount on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement, the Trustee may, if so directed, transfer the amount of such excess to the Redemption Account.

Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Revenue Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Revenue Fund are to be transferred to the Debt Service Reserve Fund. Prior to such transfer, all investments held in the Revenue Fund are to be liquidated and any Bonds constituting a part of such Fund will be deemed paid and canceled.

Escrow Fund (Section 5.5)

There shall be deposited in the Escrow Fund, all amounts required by the Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein.

Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with the Resolution.

Redemption of Bonds (Sections 3.7, 5.3, 6.4 and 6.5)

Bonds may be redeemed from amounts on deposit in the Loan Fund or the Revenue Fund or from other amounts made available by THDA for such purpose. Amounts deposited in the Redemption Account within the Loan Fund must be applied to the redemption of Bonds at the earliest possible time, subject to their terms and the terms of their respective authorizing resolutions. If THDA directs the publication of a notice of redemption from amounts other than amounts in the Redemption Account, THDA is responsible to provide funds for such redemption to the appropriate Paying Agents prior to the date of redemption.

Amounts on deposit in the Revenue Account which are to be applied to the redemption of Bonds may, until the forty-fifth day prior to the date for redemption of such Bonds, be applied to the purchase of such Bonds at prices not exceeding the applicable redemption price, plus accrued interest, unless such Bonds are to be redeemed more than thirteen months from the date of purchase, in which event the purchase price may not exceed par. Any difference between the maximum price payable for such Bonds and the price actually paid is to be deposited in the Debt Service and Expense Account.

The selection of Bonds to be redeemed from the amounts to be applied to the redemption of Bonds of such particular Series and maturity is to be made by the Trustee by lot. For such purpose registered bonds of a denomination greater than $5,000 are to be assigned separate numbers for each $5,000 portion. In the event that the Trustee is required to redeem Appreciation Bonds by lot, the Trustee will assign a separate number to each Appreciation Bond on the basis of its Maturity Amount. The Trustee shall mail, postage prepaid, a copy of the notice of redemption not less than 20 days (or such shorter period as may be acceptable to the provider of a central depository system) prior to the date of redemption to the registered owners of all registered Bonds subject to redemption at the last address of such registered owners appearing on the registry books in respect of the Bonds. Publication of notice of redemption is not required if all Bonds to be redeemed are registered bonds. THDA is not obliged to exchange or transfer Bonds within ten days preceding the giving of notice of redemption and is not obliged to exchange or transfer any Bonds which have previously been called for redemption.

Power as to Bonds and Pledge (Section 7.3)

THDA covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the assets and revenues purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment of Bonds (Section 7.4)

THDA covenants that it will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Tax Covenants (Section 7.9)

THDA covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of THDA to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in the applicable federal tax law and (ii) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by the applicable federal tax law by reason of the classification of such Bond as a “mortgage subsidy bond” pursuant to the applicable federal tax law or as an “industrial development bond” within the meaning of the applicable federal tax law, except in the case of Bonds held by a “substantial user” or “related person” within the meaning of Section 147(c) of the Code.

Accounts and Reports (Section 7.10)

THDA covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Homeownership Program and all Funds established by the General Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA is required to submit to the Trustee a statement of account for the preceding month setting forth the amount received as Revenues during such month and stating the cumulative amount of Revenues (including individual totals for prepayments and monthly Program Loan receipts) and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

THDA must annually, within ninety days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of THDA for such fiscal year setting forth in reasonable detail: (a) a balance sheet for THDA and its programs showing the assets and liabilities of the Homeownership Program at the end of such fiscal year, and (b) a statement of revenues and expenses in accordance with the categories or classifications established by THDA so long as such financial statements for the Homeownership Program are separately identified and are consistent with the requirements of the General Resolution and satisfactory to the Trustee. The financial statements shall be accompanied by the certificate of an independent accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each annual Projected Cash Flow Statement and annual report or special report and any accountant’s certificate shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Budgets (Section 7.12)

THDA must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of THDA as required under the Act. The annual budget shall at least set forth for such fiscal year the estimated revenues, principal installments and interest due and payable or estimated to become due and payable during such fiscal year and

estimated expenses of the Homeownership Program. THDA at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

The Program (Section 7.13)

THDA covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Homeownership Program) to finance Program Loans, to do all acts and things necessary to receive and collect Revenues sufficient to pay the expenses of the Program and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans.

Whenever necessary in order to protect and enforce the interest and security of the holders of the Bonds, THDA covenants to commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such premises.

THDA may sell, assign or otherwise dispose of a Program Loan or the premises to which such Program Loan is related:

(1) in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to provide funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Loan; or

(3) if a Projected Cash Flow Statement has been filed with the Trustee giving effect to the proposed sale thereof.

Upon the happening of an Event of Default resulting from nonpayment of the Bonds and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA is required to deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee.

Powers of Amendment (Section 9.2)

Except with respect to certain modifications or amendments that do not require consent of bondholders as described in the General Resolution, any modification or amendment of any provision of the General Resolution or of the rights and obligations of THDA and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the General Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default (Sections 10.1 and 10.10)

It is an "event of default" if: (a) THDA shall default in the payment of the principal or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or (c) THDA fails or refuses to comply with the provisions of the General Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

The Trustee must give the Bondholders notice of each event of default known to the Trustee within ninety days, unless such event of default has been remedied or cured, except that, in the case of default in the payment of the principal of or Redemption Price or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee may withhold such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice is to be given by mail: (i) to all registered holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to such holders of Bonds as have filed their names and addresses with the Trustee for that purpose, and (iii) to such other persons as is required by law.

Remedies (Sections 10.2 and 10.3)

Upon the happening and continuance of any event of default specified in clause (a) and (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to an acceleration) shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

Except upon the occurrence and during the continuance of an Event of Default under the Resolution, THDA reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder will be deemed to be an indispensable party for such purposes.

In the event that during the continuance of an event of default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the General Resolution, are to be applied as follows:

(1) Unless the principal of all of the Bonds has become or been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount

available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bond without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Bondholders' Direction of Remedial Proceedings (Section 10.5)

The holders of a majority in principal amount of the Bonds then Outstanding retain the right, upon a written instruction, to direct the method used by the Trustee in conducting all remedial proceedings, but only if such direction is in accordance with the law and the provisions of the Resolution, and is not unjustly, prejudicial, in the Trustee's opinion, to the remaining Bondholders.

Limitation on Rights of Bondholders (Section 10.6)

No individual Bondholder may initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the same.

Compensation of Trustee and Paying Agents (Section 11.5)

THDA is required to pay reasonable compensation to the Trustee and to each Paying Agent for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the General Resolution.

Removal of Trustee (Sections 11.8 and 11.9)

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an event of default, for such cause as THDA may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance (Section 12.1)

If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution,

then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, THDA has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds, (b) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge.

APPENDIX E

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

As of November 3, 2011, THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Outstanding as of November 3, 2011 (unaudited)	Original Net Interest Cost
2009-A	December 23, 2009	$100,000,000	--	$ 96,750,000	3.96%
2009-B(1)	December 23, 2009	300,000,000	--	0	(2)
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	154,105,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	99,250,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	99,915,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	100,000,000	3.01
2011-C/2009-B-5	November 3, 2011	65,290,000	34,710,000	100,000,000	
TOTAL		$660,000,000	$300,000,000	$650,020,000	

(1) Portions of such Bonds were converted and redesignated as Issue 2009-B, Subseries B-1, Issue 2009-B, Subseries B-2, Issue 2009-B, Subseries B-3, Issue 2009-B, Subseries B-4, and Issue 2009-B, Subseries B-5.

(2) Variable rate, taxable.

As of September 30, 2011, 4,943 mortgage loans in the approximate aggregate principal amount of $488,531,397 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds, and will be available for the general purposes of THDA only as provided in the 2009 General Resolution).

Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $191,885,000 under the 1974 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Dated	Issued	Outstanding as of September 30, 2011 (unaudited)	Mortgage Rates	Net Interest Cost
2003 Series A	September 4, 2003	$191,885,000	$72,195,000	7.05/7.75	4.90
TOTAL		$191,885,000	$72,195,000		

As of September 30, 2011, 2,899 mortgage loans in the approximate aggregate principal amount of $139,584,047 were outstanding under the 1974 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Single Family Program Bond Resolution (the "1981 Resolution")

On February 2, 1994, THDA issued and sold Homeownership Program Bonds, Issue 1994-1 (Taxable) in the aggregate principal amount of $33,500,000 (the "Issue 1994-1 Bonds") the proceeds of which were used to redeem all bonds then outstanding under the 1981 Resolution. All assets under the 1981 Resolution, including mortgages financed with the proceeds of bonds issued under the 1981 Resolution and remaining cash and investments held for the benefit of bondholders under the 1981 Resolution, were transferred out of the 1981 Resolution at the time of the issuance and sale of the Issue 1994-1 Bonds.

While no mortgages or bonds are currently outstanding under the 1981 Resolution, THDA may, in the future, elect to issue new bonds under the 1981 Resolution. The mortgages and investments financed with the proceeds of any new bonds issued under the 1981 Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1981 Resolution.

THDA Funds

Introduction

In 1988, the General Assembly of the State amended THDA's Act to create the Assets Fund, the Housing Program Fund, the Housing Program Reserve Fund, and the HOUSE Program. The funds were created to ensure the stability of the HOUSE Program and to enhance the self-sufficiency of THDA. The Housing Program Fund, the Housing Program Reserve Fund and the HOUSE Program, as well as other activities of THDA described herein, are financially separate from THDA's bond resolutions and loan programs, including the Resolution and the Homeownership Program. See Appendix A for additional financial information. Certain actions by the General Assembly of the State of Tennessee have and may affect amounts in these funds. See "THDA - THDA Funds" for more information.

Assets Fund

The Act established the Assets Fund as a segregated fund and general asset of THDA. In 1989, THDA transferred monies and Mortgage Loans to the Assets Fund from the 1974 General Resolution; however, subsequent actions by the General Assembly resulted in the transfer of all monies in the Assets Fund to the State General Fund. THDA subsequently transferred all Mortgage Loans back to the General Fund of the 1974 General Resolution; consequently, the Assets Fund currently has a zero balance. For a description of these transfers, see "THDA – THDA Funds."

While there are no monies currently in the Assets Fund, the statutory structure of the Assets Fund remains. The statutory structure for the Assets Fund currently provides for the following:

1. Monies in the Assets Fund cannot be used for grant programs, may not be co-mingled with any proceeds of bonds issued by THDA and can be used only for the following purposes:
    a. To invest in investments permitted under State law and THDA's bond resolutions;
    b. To support rental rehabilitation programs supported by federal funds administered by THDA; and
    c. For constructions loans for housing as otherwise authorized by the Act.
2. Investment income and principal from the Assets Fund may be transferred to the Housing Program Fund in accordance with the requirements of the Act.

Housing Program Fund

The Housing Program Fund is the vehicle for funding non-mortgage programs not otherwise funded through federal programs. THDA also pays operating and administrative expenses, including certain Program Expenses of the Homeownership Program, from the Housing Program Fund. See "THDA - THDA Funds" and "ASSUMPTIONS REGARDING OFFERED BONDS - Payment of Program Expenses" for more information.

Essentially, all revenues of THDA derived from sources other than its Homeownership Program or its other bond resolutions are deposited into the Housing Program Fund. These revenues include state tax revenue, if any, and investment income. Specifically, the sources of the monies in the Housing Program Fund[1] are:

1. Investment income transferred from the Assets Fund[2];
2. Investment income from the Housing Program Fund;
3. Appropriate principal, if any, transferred from the Assets Fund[2];
4. Federal funds THDA receives for federal programs it administers; and
5. Fees charged by THDA in connection with its non-mortgage programs, including fees received from the Low Income Housing Tax Credit Program, the multi-family bond authority program and other programs.

THDA receives no funds from the State of Tennessee for operating and administrative expenses. THDA pays most operating and administrative expenses with funds available therefor in the Housing Program Fund. Although THDA is authorized to pay all expenses associated with its loan programs, including Program Expenses of the Homeownership Program, from monies held under THDA's bond resolutions, including the General Resolution, in accordance with their respective terms, THDA has elected to pay only certain expenses, such as Cost of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs from its bond resolutions. THDA currently expects to continue to pay Program Expenses (other than Cost of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and all other THDA operating and administrative costs and expenses from the Housing Program Fund to the extent possible. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses, and THDA may elect, in the future, to pay some or all additional Program Expenses from the Resolution. See "THDA - THDA Funds" for more information.

In addition to paying THDA operating and administrative expenses, monies in the Housing Program Fund can be used to (i) pay certain expenses of THDA bond issues; (ii) support future bond issues by providing additional funds to make lower interest rate loans to targeted groups; and (iii) make HOUSE Program grants. See "THDA Activities – HOUSE Program" below for more information. THDA no longer makes HOUSE Program grants.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the Resolution, the 1981 Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the Resolution, the 1981 Resolution, the 1974 General Resolution, the 2009 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

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[1] Previously, state tax revenues, as authorized by T.C.A Section 13-23-402, consisting of 15.15% of the real estate transfer tax levied by T.C.A. Section 67-4-409(a) and 13% of the mortgage recording tax levied by T.C.A. Section 67-4-409(b) were deposited to the Housing Program Fund for HOUSE Program Grants. For fiscal year 1999-2000 and thereafter, these tax revenues are not available to THDA. See "THDA – THDA Funds" for a discussion of amendments to the Act that affect these tax revenues.

[2] The current Asset Fund balance is $0; therefore, no investment income or principal is currently available for transfer to the Housing Program Fund.

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX G

HOMEOWNERSHIP PROGRAM LOAN PROCEDURES

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted. THDA's current income limits range from $54,480 to $92,680 depending on household size and geographic location. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. THDA's current maximum acquisition cost limit is $200,160 for all counties except counties in the Nashville MSA. For counties in the Nashville MSA, the maximum acquisition cost limit is $226,100. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, not to exceed 1% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and savings and loan associations. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions located in Tennessee or in the eight contiguous states to service Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms, commercial banks or savings and loan associations. THDA may also service Program Loans although it has elected only to service multi-family loans made under the 1974 General Resolution to date. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval.

THDA requires monthly reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data.

THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Mortgage Administration and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

December 1, 2011

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Homeownership Program Bonds

$97,105,000 Issue 2011-1A (AMT)
$35,950,000 Issue 2011-1B (Non-AMT)
$8,200,000 Issue 2011-1C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $97,105,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2011-1A (AMT) (the “Issue 2011-1A Bonds”), $35,950,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2011-1B (Non-AMT) (the “Issue 2011-1B Bonds”) and $8,200,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2011-1C (Non-AMT) (the “Issue 2011-1C Bonds,” and, together with the Issue 2011-1A Bonds and the Issue 2011-1B Bonds, the “Issue 2011-1 Bonds”) of the Tennessee Housing Development Agency (“THDA”), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the “State”), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the “Act”), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2011-1 Bonds were authorized to be issued pursuant to the Act, the General Homeownership Program Bond Resolution of THDA, adopted June 6, 1985, as amended and supplemented (the “General Resolution”) and by a Resolution adopted by THDA on September 27, 2011, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on November 9, 2011 (together, the “Supplemental Resolution,” and, together with the General Resolution, the “Resolution”).

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2011-1 Bonds (collectively, the “Homeownership Program Bonds”) be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2011-1 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2011-1 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the “Program”).

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to the delivery of the Issue 2011-1 Bonds in order that interest on the Issue 2011-1 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2011-1 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2011-1 Bonds are valid and legally binding general obligations of THDA, for the payment of which, in accordance with their terms, the full faith and credit of THDA have been legally and validly pledged and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Homeownership Program Bonds, including the Issue 2011-1 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2011-1 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments and to cause its Chairman on or before November 1 of each year to make and deliver to the Governor and Commissioner of Finance and Administration of the State his certificate stating such sum, if any, as may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement provided for by the Resolution pursuant to the Act. The provisions of the Constitution of Tennessee prohibit moneys from being withdrawn from the Treasury except in consequence of an appropriation made by law. However, the General Assembly of the State may validly appropriate the amount of such sum as so certified and upon such appropriation, such amount may validly be paid to THDA for deposit in the Debt Service Reserve Fund established pursuant to the Resolution, although the provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts.

6. The Issue 2011-C Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2011-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2011-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (iii) interest on the Issue 2011-1B Bonds and the Issue 2011-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iv) interest on the Issue 2011-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code and (v) interest on the Issue 2011-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2011-1 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2011-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2011-1 Bonds may have to take interest on such Issue 2011-1 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2011-1 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2011-1 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2011-1 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES

Delinquencies and Foreclosures as of June 30, 2011

As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.08%, based on a total of 19,311 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	313	$22,902,158	2.45%	2.05%[4]
VA Guaranteed	11	1,033,147	1.58	1.29
Privately Insured	33	3,207,477	1.14	0.79
USDA/RD Guaranteed	43	3.221,952	2.00	[5]
Uninsured	2	182,479	0.26	[5]
TOTAL	402	$30,547,213[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 4.52%, based on a total of 19,311 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	704	$54,705,027	5.51%	4.70%[4]
VA Guaranteed	19	1,555,458	2.72	2.45
Privately Insured	66	7,136,151	2.28	1.49
USDA/RD Guaranteed	80	5,722,330	3.72	[5]
Uninsured	4	311,957	0.51	[5]
TOTAL	873	$69,430,924[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of June 30, 2011 (unaudited), the overall rate of Program Loans in foreclosure was 1.24%, based on a total of 19,311 Program Loans as of June 30, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2011, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	198	$15,280,109	1.55%	2.40%[4]
VA Guaranteed	4	355,827	0.57	1.85
Privately Insured	20	2,205,872	0.59	1.65
USDA/RD Guaranteed	18	1,453,533	0.84	(5)
Uninsured	0	0	0.00	(5)
TOTAL	240	$19,295,340[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2011

As of March 31, 2011 (unaudited), the overall delinquency rate for Program Loans held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 1.78%, based on a total of 19,723 Program Loans as of March 31, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011 are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[2]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	292	$21,843,091	2.24%	1.86%[4]
VA Guaranteed	5	435,452	0.69	1.09
Privately Insured	22	2,238,594	0.74	0.70
USDA/RD Guaranteed	33	2,482,881	1.50	(5)
Uninsured	0	0	0.00	(5)
TOTAL	352	$27,000,018[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of March 31, 2011 (unaudited), the overall delinquency rate for Program Loans held under the General Resolution that were ninety (90) days past due was 4.64%, based on a total of 19,723 Program Loans as of March 31, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (2)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	743	$57,570,074	5.71%	4.71%(4)
VA Guaranteed	23	1,762,407	3.19	2.39
Privately Insured	80	8,521,226	2.69	1.50
USDA/RD Guaranteed	67	4,839,534	3.04	(5)
Uninsured	3	232,302	0.38	(5)
TOTAL	916	$72,925,543(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of March 31, 2011 (unaudited), the overall rate of Program Loans held under the General Resolution in foreclosure was 1.05%, based on a total of 19,723 Program Loans as of March 31, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2011, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (2)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	158	$12,472,070	1.21%	2.45%(4)
VA Guaranteed	7	625,568	0.97	1.96
Privately Insured	23	2,247,799	0.74	1.69
USDA/RD Guaranteed	19	1,505,348	0.86	(5)
Uninsured	1	82,091	0.00	(5)
TOTAL	208	$16,932,876(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2010

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 3.22%, based on a total of 20,197 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	494	$36,445,762	3.71%	2.50%(4)
VA Guaranteed	16	1,255,148	2.14	1.49
Privately Insured	55	4,973,967	1.80	0.91
USDA/RD Guaranteed	82	5,622,575	3.63	(5)
Uninsured	4	194,160	0.49	(5)
TOTAL	651	$48,491,612(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 5.16%, based on a total of 20,197 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	835	$64,638,781	6.27%	5.21%(4)
VA Guaranteed	26	2,143,656	3.47	2.83
Privately Insured	75	7,960,123	2.45	1.77
USDA/RD Guaranteed	102	7,477,913	4.51	(5)
Uninsured	5	426,647	0.62	(5)
TOTAL	1,043	$82,647,121(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of December 31, 2010 (unaudited), the overall rate of Program Loans in foreclosure was 1.26%, based on a total of 20,197 Program Loans as of December 31, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2010, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	188	$16,045,557	1,41,%	2,24%[4]
VA Guaranteed	9	584,301	1.20	1.88
Privately Insured	31	3,379,351	0.79	1.65
USDA/RD Guaranteed	25	2,044,625	1.11	(5)
Uninsured	2	153,039	0.00	(5)
TOTAL	255	$22,206,872[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2010

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.92%, based on a total of 20,811 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	431	$31,985,135	3.14%	2.48%[4]
VA Guaranteed	21	1,276,205	2.69	1.54
Privately Insured	55	4,970,873	1.74	0.98
USDA/RD Guaranteed	72	5,465,885	3.10	(5)
Uninsured	29	1,171,304	3.53	(5)
TOTAL	608	$44,869,401[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 5.03%, based on a total of 20,811 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	854	$65,905,779	6.22%	5.07%[4]
VA Guaranteed	23	1,777,184	2.95	3.06
Privately Insured	74	8,545,849	2.34	1.97
USDA/RD Guaranteed	91	6,796,409	3.92	[5]
Uninsured	5	443,520	0.61	[5]
TOTAL	1,047	$83,468,741[2]		

(1) Rounded figures.
(2) Rounded total,
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall rate of Program Loans in foreclosure was 1.41%, based on a total of 20,811 Program Loans as of September 30, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2010, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	231	$19,798,056	1.68%	1.91%[4]
VA Guaranteed	9	782,547	1.15	1.47
Privately Insured	34	3,307,204	0.73	1.33
USDA/RD Guaranteed	19	1,613,817	0.82	[5]
Uninsured	1	99,314	0.00	[5]
TOTAL	294	$25,600,937[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Tennessee Housing
Development Agency

Leading Tennessee Home

NEW ISSUES AND CONVERSION ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, (i) interest on the Issue 2011-A Bonds (the "Issue 2011-A Bonds") and the Issue 2009-B, Subseries B-3 Bonds (the "Subseries B-3 Bonds" and, collectively with the Issue 2011-A Bonds, the "Series Bonds") is excluded from gross income of the owners thereof for federal income tax purposes and (ii) interest on the Series Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Series Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Series Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Housing Finance Program Bonds
$40,000,000 Issue 2011-A (Non-AMT)
$60,000,000 Issue 2009-B, Subseries B-3 (Non-AMT)*

Dated: Issue 2011-A Bonds: Date of Delivery **Due: As shown on inside front cover**
Subseries B-3 Bonds: December 21, 2009
(Interest to accrue from April 14, 2011)

The Issue 2011-A Bonds are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Issue 2011-A Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Issue 2011-A Bonds, payments of the principal of, premium, if any, and interest on the Issue 2011-A Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Issue 2011-A Bonds will not receive physical delivery of bond certificates. See Appendix G "Book-Entry-Only System." The Issue 2011-A Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Issue 2011-A Bonds accrues from the dated date of the Issue 2011-A Bonds and is payable on July 1, 2011, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

Tennessee Housing Development Agency ("THDA") previously issued $300,000,000 aggregate principal amount of Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") and, in connection with the issuance of the Issue 2011-A Bonds expects to convert and re-designate a portion of such bonds as the Housing Finance Program Bonds, Issue 2009-B, Subseries B-3. See "NEW ISSUE BOND PROGRAM." Interest on the Subseries B-3 Bonds accrues from the date of delivery of the Issue 2011-A Bonds and is payable on June 14, 2011, and thereafter on each January 1 and July 1, commencing July 1, 2011.

The Series Bonds are subject to redemption prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for the Series Bonds."

The Series Bonds are special limited obligations of THDA payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on the Bonds.

THDA has no taxing power. The Series Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Series Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Issue 2011-A Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. Certain legal matters in connection with the conversion of the Subseries B-3 Bonds will be passed upon by Kutak Rock LLP. It is expected that the Series Bonds will be available for book-entry delivery through DTC on or about April 14, 2011.

RBC CAPITAL MARKETS

BofA MERRILL LYNCH **MORGAN KEEGAN**

CITI **RAYMOND JAMES & ASSOCIATES, INC.**

M.R. BEAL & COMPANY **FTN FINANCIAL CAPITAL MARKETS, INC.**

March 24, 2011

*The Subseries B-3 Bonds are not offered hereby as described herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOUSING FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$40,000,000 Issue 2011-A (Non-AMT)

$20,595,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2012	$ 985,000	0.500%	88045RSR4	$ 985,000	0.650%	88045RSS2
2013	990,000	1.000	88045RST0	995,000	1.125	88045RSU7
2014	1,000,000	1.600	88045RSV5	1,010,000	1.700	88045RSW3
2015	1,015,000	2.050	88045RSX1	1,030,000	2.200	88045RSY9
2016	1,040,000	2.600	88045RSZ6	1,055,000	2.700	88045RTA0
2017	1,065,000	2.950	88045RTB8	1,085,000	3.000	88045RTC6
2018	1,100,000	3.375	88045RTD4	1,120,000	3.375	88045RTE2
2019	1,135,000	3.700	88045RTF9	1,155,000	3.750	88045RTG7
2021				1,250,000	4.000	88045RTL6
2022	1,275,000	4.150	88045RTM4	1,305,000	4.150	88045RTN2

$19,405,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
January 1, 2021	$3,610,000	4.000%	88045RTK8
January 1, 2025	6,580,000	4.850	88045RTP7
January 1, 2028 (PAC)	9,215,000	4.500	88045RTQ5

$60,000,000 Issue 2009-B, Subseries B-3 (Non-AMT)*

$60,000,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2041	$60,000,000[(2)]	3.70%[(2)]	88045RTR3

PRICE OF ISSUE 2011-A BONDS MATURING ON JANUARY 1, 2028: 104.554%

PRICE OF ALL OTHER SERIES BONDS: 100%

(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. THDA shall not be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

(2) A portion of THDA's $300,000,000 Housing Finance Program Bonds, Issue 2009-B (Taxable) in the aggregate principal amount of $60,000,000 will be converted and re-designated as the Issue 2009-B Bonds, Subseries B-3 (the "Subseries B-3 Bonds") upon the issuance and delivery of the Issue 2011-A Bonds (such date being the "Release Date"). The Subseries B-3 Bonds will bear interest from (and including) the Release Date to (but excluding) June 14, 2011, at a rate equal to the lesser of (a) the interest rate for Four Week Treasury Bills as of the second Business Day prior to the Release Date plus 75 basis points or (b) the Permanent Rate. Thereafter, the Subseries B-3 Bonds shall bear interest at the Permanent Rate to maturity. The "Permanent Rate" will be calculated on or about April 7, 2011, and will be based on the sum of (i) the lowest 10-Year Constant Maturity Rate as reported by the Treasury in the period beginning March 7, 2011, and ending April 6, 2011, plus (ii) 75 basis points, but will not be greater than 3.70%.

*Not offered hereby.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Issue 2011-A Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Issue 2011-A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Issue 2011-A Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Issue 2011-A Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The Subseries B-3 Bonds were previously placed with investors and are not being offered by this Official Statement. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Issue 2011-A Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE SERIES BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE SERIES BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING OF THE ISSUE 2011-A BONDS MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE ISSUE 2011-A BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisor

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Housing Finance Program Bonds

$40,000,000 Issue 2011-A (Non-AMT)

$60,000,000 Issue 2009-B, Subseries B-3 (Non-AMT)*

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of the Issue 2011-A Bonds in the aggregate principal amount of $40,000,000 (the "Issue 2011-A Bonds") and the conversion and re-designation of a portion of THDA's Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") as the Issue 2009-B Bonds, Subseries B-3 (the "Subseries B-3 Bonds" and, together with the Issue 2011-A Bonds, the "Series Bonds") in the aggregate principal amount of $60,000,000.

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Issue 2011-A Bonds is authorized by the General Housing Finance Resolution, adopted by THDA on November 19, 2009, as amended and supplemented (the "General Resolution") and by a resolution adopted by THDA on January 25, 2011, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on March 24, 2011 (the "Issue 2011-A Supplemental Resolution"). The General Resolution and the Issue 2011-A Supplemental Resolution are herein collectively referred to as the "Resolution."

The Issue 2009-B Bonds were issued in the aggregate principal amount of $300,000,000 pursuant to the General Resolution and a resolution adopted by THDA on November 19, 2009, as amended and supplemented by the Bond Finance Committee on December 3, 2009 (the "Issue 2009-A/B Supplemental Resolution") and the New Issue Bond Program described herein under the heading "NEW ISSUE BOND PROGRAM." In connection with the issuance of the Issue 2011-A Bonds, THDA expects to convert and redesignate a portion of the Issue 2009-B Bonds as Housing Finance Program Bonds, Issue 2009-B, Subseries B-3 (the "Subseries B-3 Bonds") pursuant to the Issue 2009-A/B Supplemental Resolution as supplemented by the Issue 2011-A Supplemental Resolution. The Subseries B-3 Bonds are not being offered pursuant to this Official Statement. See a description of the New Issue Bond Program under the heading "NEW ISSUE BOND PROGRAM" herein.

The General Resolution was adopted in connection with THDA's implementation of the New Issue Bond Program. No assurance can be provided that THDA will continue to issue Bonds under the General Resolution upon the release of all proceeds of the Issue 2009-B Bonds held in escrow as described under the heading "NEW ISSUE BOND PROGRAM" herein.

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to the Bonds on January 24, 2011. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of January 31, 2011 (unaudited), bonds in the aggregate principal amount of $510,265,000 were outstanding under the General Resolution. In addition, as of January 31, 2011 (unaudited), bonds in the aggregate principal amount of $1,561,570,000 were outstanding under THDA's Homeownership Program Bond Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $78,665,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution").

Bonds issued under the Resolution, including the Series Bonds, are and will be special limited obligations of THDA, payable from the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". Except as otherwise provided in the Resolution, all bonds issued under the Resolution, including the Series

*The Subseries B-3 Bonds are not offered hereby as described herein.

Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Series Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

The Issue 2011-A Bonds are being issued and the Subseries B-3 Bonds are being converted to make funds available to purchase Program Loans (or participations therein) to finance the ownership or improvement of single family housing within the State by eligible low and moderate income families. See "PROGRAM LOANS" herein. As used herein the term "Program Loan" includes mortgage loans originated since December 2009 directly financed with Bonds issued under the General Resolution together with certain loans transferred to the General Resolution ("Transferred Loans") as a result of the refunding of certain obligations under the 1985 General Resolution with the proceeds of a prior issue of Bonds under the General Resolution.

THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of January 31, 2011 (unaudited), 3,704 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $362,074,836. Based on the outstanding principal balance of Program Loans as of January 31, 2011, approximately 94.27% were FHA insured, approximately 1.03% were VA guaranteed, approximately 0.24% were insured by private mortgage insurance companies, approximately 3.21% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 1.25% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing). See "HOUSING FINANCE PROGRAM LOANS – Housing Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

THDA expects that the funds made available from the issuance of the Issue 2011-A Bonds, the conversion of the Subseries B-3 Bonds, and a contribution from THDA, will be made available to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) fund the Bond Reserve Fund. See "APPLICATION OF BOND PROCEEDS". The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Series Bonds, are described herein under the caption "PROGRAM LOANS – Description of Program Loans" and in Appendix H.

All Program Loans to be financed with lendable proceeds of the Series Bonds, will be made in accordance with the Program Loan Procedures described in Appendix H. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Series Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Series Bonds, the Resolution and certain provisions of the Act. Such summaries do not purport to be complete and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee.

Certain capitalized terms utilized herein are defined in Appendix D hereto. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

NEW ISSUE BOND PROGRAM

THDA issued $300,000,000 aggregate principal amount of Issue 2009-B Bonds in December, 2009 as taxable, variable interest rate escrow bonds under the Single Family New Issue Bond Program (the "New Issue Bond Program") announced by the United States Department of the Treasury ("Treasury"), Fannie Mae and Freddie Mac. The Issue 2009-B Bonds were purchased by Fannie Mae and Freddie Mac (the "Purchasers") pursuant to the New Issue Bond Program and proceeds derived from the sale of the Issue 2009-B Bonds in an amount equal to $300,000,000 were deposited in the Issue 2009-B Escrow Subaccount of the Loan Fund established by the Issue 2009-A/B Supplemental Resolution. Under the New Issue Bond Program, the Purchasers exchanged the Issue 2009-B Bonds for securities issued by the Purchasers ("GSE Securities") backed by the Issue 2009-B Bonds which were purchased by the Treasury. Such GSE Securities are not part of the security for the Issue 2009-B Bonds. The Issue 2009-B Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches prior to December 31, 2011 (each such date, a "Release Date").

The release of amounts held in the Issue 2009-B Escrow Subaccount to become available to purchase Program Loans depends upon compliance with various conditions set forth in the agreement with the Purchasers and in the Issue 2009-A/B Supplemental Resolution, including a requirement that THDA shall have sold additional bonds to investors in accordance with standard bond underwriting practices (the "Market Bonds") in an aggregate principal amount at least equal to two-thirds of the amount of funds released. In order to release all amounts held in the Issue 2009-B Escrow Subaccount, THDA must issue a minimum of $200,000,000 aggregate principal amount of Market Bonds. For purposes of the New Issue Bond Program, the Issue 2011-A Bonds constitute Market Bonds, and upon the satisfaction of the conditions precedent to the release of a portion of the funds from the Issue 2009-B Escrow Subaccount, THDA expects to release $60,000,000 from the Issue 2009-B Escrow Subaccount (the "Released Issue 2009-B Proceeds") on the applicable Release Date which is expected to be the delivery date of the Issue 2011-A Bonds. The portion of the Issue 2009-B Bonds corresponding to the Released Issue 2009-B Proceeds will be re-designated as the Subseries B-3 Bonds on such Release Date. THDA previously released an aggregate principal amount of $145,290,000 of proceeds of the Issue 2009-B Bonds in two prior releases. Upon the release of the Released Issue 2009-B Proceeds, $94,710,000 will remain on deposit in the Issue 2009-B Escrow Subaccount and available for future releases. No assurance can be provided that THDA will continue to issue Bonds under the General Resolution upon the release of all amounts on deposit in the Issue 2009-B Escrow Subaccount.

DESCRIPTION OF THE SERIES BONDS

General

The Issue 2011-A Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof and will be available in book-entry only form. Purchasers of the Issue 2011-A Bonds will not receive certificates representing their interest in the Issue 2011-A Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Issue 2011-A Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix G "Book-Entry Only System" for a description of the DTC book-entry only system.

The Issue 2011-A Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Issue 2011-A Bonds is payable on July 1, 2011, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

The Subseries B-3 Bonds will mature on July 1, 2041. The Subseries B-3 Bonds are dated December 21, 2009, and will bear interest from April 14, 2011, at the rates indicated on the inside front cover page of this Official Statement payable on June 14, 2011, and semi-annually on each January 1 and July 1 thereafter, commencing July 1, 2011, on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Series Bonds

Sinking Fund Redemption

The Issue 2011-A Bonds maturing on January 1, 2021, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2020, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-A
Term Bonds Due January 1, 2021

Year	Amount Due January 1	Amount Due July 1
2020	$1,180,000	$1,205,000
2021	1,225,000 (maturity)	

The Issue 2011-A Bonds maturing on January 1, 2025, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2023, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-A
Term Bonds Due January 1, 2025

Year	Amount Due January 1	Amount Due July 1
2023	$1,330,000	$1,360,000
2024	1,395,000	1,425,000
2025	1,070,000 (maturity)	

The Issue 2011-A Bonds maturing on January 1, 2028, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2025, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-A
PAC Term Bonds Due January 1, 2028

Year	Amount Due January 1	Amount Due July 1
2025	$ 395,000	$1,500,000
2026	1,535,000	1,565,000
2027	1,600,000	1,640,000
2028	980,000 (maturity)	

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The Subseries B-3 Bonds maturing on July 1, 2041, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2028, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Subseries B-3
Term Bonds Due July 1, 2041

Year	Amount Due January 1	Amount Due July 1	
2028	$ 700,000	$1,710,000	
2029	1,750,000	1,770,000	
2030	1,810,000	1,850,000	
2031	1,880,000	1,910,000	
2032	1,940,000	1,990,000	
2033	2,020,000	2,060,000	
2034	2,090,000	2,140,000	
2035	2,170,000	2,210,000	
2036	2,250,000	2,300,000	
2037	2,340,000	2,390,000	
2038	2,420,000	2,470,000	
2039	2,520,000	2,570,000	
2040	2,610,000	2,660,000	
2041	2,710,000	2,760,000	(maturity)

Optional Redemption. The Issue 2011-A Bonds maturing on and after January 1, 2021, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after July 1, 2020, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The Subseries B-3 Bonds are subject to redemption at the option of THDA prior to their maturity, either as a whole or in part on the first Business Day of each month commencing May 1, 2011, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of Issue 2011-A PAC Bonds. The Issue 2011-A PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Issue 2011-A PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2011-A Principal Payments (as defined below). Any Excess 2011-A Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Issue 2011-A PAC Bonds on any Interest Payment Date commencing January 1, 2012; provided, however, Issue 2011-A PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2011-A PAC Bonds remain Outstanding, Excess 2011-A Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Series Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-A PAC Bonds"), as determined by THDA, then available Excess 2011-A Principal Payments shall first be applied to redeem Issue 2011-A PAC Bonds up to an amount correlating to the Planned Amortization Amount (as defined below) for Issue 2011-A PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the Issue 2011-A PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Series Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2011-A Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) shall first be applied to redeem Issue 2011-A PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the Issue 2011-A PAC Bonds (any such remainder used to redeem Issue 2011-A PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2011-A Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the Issue 2011-A PAC Bonds' proportionate amount of all Issue 2011-A Bonds then Outstanding.

"Excess 2011-A Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds which do not constitute Excess Subseries B-3 Principal Payments to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.

"Planned Amortization Amount" means the dollar amount for each Interest Payment Date set forth in the Issue 2011-A Supplemental Resolution. Each Planned Amortization Amount represents the cumulative principal amount of Issue 2011-A PAC Bonds assumed to be redeemed from Excess 2011-A Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 75% PSA prepayment rate for Program Loans financed with the proceeds of the Series Bonds. See "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-A PAC Bonds" for a description of PSA prepayment rates.

The amortization schedule of the Issue 2011-A PAC Bonds, including the Planned Amortization Amounts for the Issue 2011-A PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Series Bonds in accordance with the expected schedule for such origination and receipt of principal prepayments on the Program Loans allocable to the Series Bonds at a rate equal to 75% of the PSA prepayment rate) as of each payment date is set forth below:

Issue 2011-A PAC Bonds Amortization Schedule

Date	Planned Amortization Amount
January 1, 2012	$ 145,000
July 1, 2012	455,000
January 1, 2013	920,000
July 1, 2013	1,525,000
January 1, 2014	2,250,000
July 1, 2014	2,970,000
January 1, 2015	3,650,000
July 1, 2015	4,295,000
January 1, 2016	4,905,000
July 1, 2016	5,480,000
January 1, 2017	6,020,000
July 1, 2017	6,525,000
January 1, 2018	6,995,000
July 1, 2018	7,430,000
January 1, 2019	7,830,000
July 1, 2019	8,195,000
January 1, 2020	8,530,000
July 1, 2020	8,830,000
January 1, 2021	9,095,000
July 1, 2021	9,215,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent Issue 2011-A PAC Bonds are redeemed from amounts on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund and not applied to finance Program Loans.

For a description of the impact on the weighted average life of the Issue 2011-A PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Series Bonds at various speeds, see "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-A PAC Bonds."

Special Mandatory Redemption of Subseries B-3 Bonds. The Subseries B-3 Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Subseries B-3 Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Fund representing Excess Subseries B-3 Principal Payments (as defined below). Any Excess Subseries B-3 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Subseries B-3 Bonds at least once during each semi-annual period ending on January 1, or July 1, commencing July 1, 2011, to the extent there are at least $10,000 of Excess Subseries B-3 Principal Payments received during such semi-annual period.

"Excess Subseries B-3 Principal Payments" means, while any Issue 2011-A Bonds are Outstanding, a pro rata portion (calculated based on the outstanding principal amount of the Subseries B-3 Bonds divided by the outstanding principal amount of the Series Bonds), and subsequent to the payment, in full, of the Issue 2011-A Bonds, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.

Special Redemption of the Series Bonds, including Cross Calls. The Series Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Series Bonds not expected to be applied to the financing of Program Loans; (ii) except as otherwise described under the headings "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-A PAC Bonds," "-Special Mandatory Redemption of Subseries B-3 Bonds," and "-Mandatory Redemption – 10 Year Rule" repayments and prepayments of Program Loans allocated to the Series Bonds in excess of regularly scheduled debt service payments on the Series Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the "Code"), and (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses; provided, however, that the Issue 2011-A PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-A PAC Bonds" and (b) shall not be subject to redemption as described in clauses (iii) and (iv) above if such redemption would cause amortization of the Issue 2011-A PAC Bonds to exceed the Planned Amortization Amount shown above in the Issue 2011-A PAC Bonds Amortization Schedule. The Resolution permits the sale of Program Loans, including those allocated to the Series Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Series Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, the redemption price for the Issue 2011-A PAC Bonds in the event of a redemption described in clause (i) above shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Series Bonds to be so redeemed shall be redeemed pro rata among all maturities then Outstanding and eligible for redemption, unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Series Bonds to be so redeemed; provided, however, that the Issue 2011-A PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2011-A Bonds then Outstanding in the event of a redemption pursuant to clause (i) above. See "ASSUMPTIONS REGARDING THE SERIES BONDS – Prepayments" and "ASSUMPTIONS REGARDING THE SERIES BONDS - THDA Redemption Practices". See "TAX MATTERS" herein for a description of the potential tax consequences of a redemption of the Issue 2011-A PAC Bonds at their issue price.

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Series Bonds or otherwise required to be applied to the redemption of the Issue 2011-A PAC Bonds or the Subseries B-3 Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Series Bonds received on or after April 14, 2021, shall be applied to redeem Series Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Series Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-A PAC Bonds," THDA shall direct the redemption of the Series Bonds pro rata among all maturities then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be redeemed; provided, however, that the Issue 2011-A PAC Bonds may be redeemed in an amount that exceeds the Planned Amortization Amount shown above in the Issue 2011-A PAC Bonds Amortization Table only if there are no other Series Bonds outstanding.

Mandatory Redemption – Unexpended Proceeds. The Series Bonds are subject to mandatory redemption on January 1, 2012, in the event and to the extent that there are unexpended proceeds of the Series Bonds on deposit in the Issue 2011-A/Subseries B-3 Bonds Subaccount of the Loan Fund on December 1, 2011, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2011-A Supplemental Resolution.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Series Bonds are subject to mandatory redemption on October 14, 2014, to the extent any amounts remain on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund.

The redemption price of the Series Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the Issue 2011-A PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. THDA shall direct the redemption of the Series Bonds pro rata among all maturities of such Series Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be so redeemed; provided, however, that (i) the Subseries B-3 Bonds shall be redeemed on a pro-rata basis from among all Series Bonds then Outstanding and (ii) the Issue 2011-A PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Series Bonds then Outstanding. See “TAX MATTERS” herein for a description of the potential tax consequences of a redemption of the Issue 2011-A PAC Bonds at their issue price.

Selection By Lot

If less than all of the Series Bonds of like series and maturity are to be redeemed, the particular Series Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds, and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds, which notice shall specify the series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. In the event that the Trustee does not, at the time notice of any redemption is required to be given under the Resolution, hold on deposit in the Redemption Fund an amount sufficient to pay the Redemption Price of, plus interest accrued and unpaid to the redemption, such notice shall further state that the redemption is conditional upon sufficient funds being so deposited or transferred by or at the direction of THDA to the Redemption Fund and that, in the event such funds are not so deposited or transferred, the redemption shall be canceled, or reduced to the extent of funds actually on deposit, and written notice of such cancellation or reduction shall be given to the holders of Bonds which are not to be redeemed within ten (10) days following the proposed redemption date in the same manner as provided for notice of the redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than twenty (20) days (or such shorter period as may be acceptable to DTC) before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix G – “Book-Entry-Only System” for a discussion of DTC practices.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Series Bonds, together with a contribution from THDA, will be credited or applied as set forth below:

SOURCES		
Par Amount of the Issue 2011-A Bonds	$	40,000,000.00
Premium on Issue 2011-A PAC Bond		419,651.10
Released Issue 2009-B Proceeds		60,000,000.00
THDA Contribution		3,043,703.51
TOTAL SOURCES	$	103,463,354.61
USES		
Deposit to Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund	$	100,000,000.00
Deposit to Bond Reserve Fund		3,000,000.00
Costs of Issuance		164,000.00
Underwriters' Fee		299,354.61
TOTAL USES	$	103,463,354.61

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable from the revenues and assets of THDA pledged under the Resolution. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution, including the Escrow Fund but excluding the Issue 2009-B Escrow Subaccount, the investments in which are pledged solely to secure the Issue 2009-B Bonds which have not been the subject of a Conversion;

(c) All Funds and Accounts created by the Resolution, including the Bond Reserve Fund, and monies and securities therein, except amounts on deposit in the Issue 2009-B Escrow Subaccount which are pledged solely to secure the Issue 2009-B Bonds which have not been the subject of a Conversion and amounts required by the Resolution to be deposited in the Escrow Fund (see Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION"); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. In accordance with the Act and the Resolution, THDA has established a Bond Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the "Bond Reserve Fund Requirement". The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the date of issuance of the Issue 2011-A Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, at any time, there is not a sufficient amount available in the Debt Service and Expense Account to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the Debt Service and Expense Account.

Issue 2009-B Escrow Subaccount of the Loan Fund

Amounts on deposit in the Issue 2009-B Escrow Subaccount of the Loan Fund are pledged solely to Issue 2009-B Bonds that have not been converted and re-designated as subseries bonds in connection with the issuance of Market Bonds, unless and until there is an Event of Default under the Resolution, in which event such funds shall be applied as required by the Resolution; provided, however, that THDA has agreed that upon any such Event of Default amounts on deposit in the Issue 2009-B Escrow Subaccount of the Loan Fund shall be applied to the payment of other Bonds under the Resolution only if there are no other funds under the Resolution available for such payment.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Series Bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING THE SERIES BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Series Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements upon the issuance or remarketing of Bonds, including the Series Bonds, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Issue 2011-A Bonds and the conversion of the Subseries B-3 Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumption that THDA originates approximately $100,000,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 5.09%. The maturities and Sinking Fund Payments for the Series Bonds have been structured on the assumption that Program Loans will experience no prepayments. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Issue 2011-A Bonds and the conversion of the Subseries B-3 Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for Bonds Outstanding.

THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Series Bonds, when scheduled, may be adversely affected and the expected life of the Series Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Series Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Series Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Issue 2011-A Bonds and the conversion of the Subseries B-3 Bonds, will be deposited in the Issue 2011-A/Subseries B-3 Bond Subaccount of the Loan Fund and will be used to continue THDA’s program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Issue 2011-A Bonds and the conversion of the Subseries B-3 Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. The current interest rates on Great Rate Program Loans are expected to be below the prevailing home mortgage interest rates offered by mortgage lenders in Tennessee at the time of delivery of the Series Bonds. In addition, THDA may use amounts made available from the issuance of the Issue 2011-A Bonds and the conversion of the Subseries B-3 Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See “PROGRAM LOANS – Description of Program Loans” – Homeownership Choices” and Appendix H – “PROGRAM LOAN PROCEDURES” for more information about specific program requirements.

As of March 2, 2011, THDA has purchased Program Loans in the approximate aggregate principal amount of $26,578,000 and has commitments for additional Program Loans in the approximate aggregate principal amount of $12,884,073. The weighted average interest rate of purchased and committed Program Loans is approximately 4.59%.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of Bonds, including the Series Bonds, will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA’s general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans when bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds, however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of program loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

THDA has not redeemed any bonds from unexpended proceeds under the General Resolution. The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from the Series Bonds will be fully expended for Program Loans.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Series Bonds. See "DESCRIPTION OF THE SERIES BONDS".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Series Bonds.

Changes in Federal or State Law

Legislation affecting the Series Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Series Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. No assurance can be given whether the THDA, or THDA Servicers, will modify any of THDA's single family mortgage loans pursuant to such guidelines, none of which have been modified to date. See Appendix D under the heading "The Program".

The March 4, 2009, guidelines referred to above stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $236 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $20,000 for up to 18 months. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of March 9, 2011, three loans under the HHF Program have closed.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Series Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Series Bonds. To the extent THDA is required or elects to redeem the Series Bonds, it is probable that the Series Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the General Resolution, the resolutions adopted in connection with other issues of Bonds under the General Resolution (the "Bond Resolutions") and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Series Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Series Bonds as described herein under "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-A PAC Bonds," "– Special Mandatory Redemption of Subseries B-3 Bonds," "- Special Redemption of the Series Bonds, including Cross Calls" and "– Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The General Resolution and the Bond Resolutions specify when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF THE SERIES BONDS - Redemption Provisions for Series Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and Issues to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the General Resolution and/or the Bond Resolutions including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

THDA expects to pay Costs of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure costs, Operating Fees and Capital Replacement Fees, and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. To the extent funds are available therefor, THDA currently expects to continue to pay other Program Expenses and other operating and administrative costs and expenses of THDA from the Housing Program Fund, a fund of THDA created in 1988 that is not subject to the lien of the Resolution. To the extent funds are not available from the Housing Program Fund, THDA expects to pay Program Expenses from other THDA resources outside the Resolution. See "THDA – THDA Funds."

Investment Assumptions

Estimated available investment income attributable to the Series Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until December 23, 2019, 1.0% until December 23, 2026, and 2.0% until the Series Bonds are fully redeemed; and (iii) funds on deposit in the Issue 2011-A/Subseries B-3 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Series Bonds when scheduled.

Average Life of Issue 2011-A PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the Issue 2011-A PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Series Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will

prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayment of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans financed with the proceeds of the Series Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Series Bonds and hence the weighted average life of the Issue 2011-A PAC Bonds. THDA has provided for the redemption of the Issue 2011-A PAC Bonds as described under the heading “DESCRIPTION OF THE SERIES BONDS - Redemption Provisions for Series Bonds—*Special Mandatory Redemption of Issue 2011-A PAC Bonds*”, and the weighted average lives of the Issue 2011-A PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund is applied to finance Program Loans, (ii) Excess 2011-A Principal Payments will be used to redeem Issue 2011-A PAC Bonds only on Interest Payment Dates, and (iii) the Issue 2011-A PAC Bonds will be redeemed only in Planned Amortization Amounts as described under the heading “DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – *Special Mandatory Redemption of Issue 2011-A PAC Bonds*” and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate.

Projected Weighted Average Lives For Issue 2011-A PAC Bonds

PSA Speed	Average Life (in years)
0%	15.3
25	11.2
50	7.7
75	5.0
100	5.0
150	5.0
200	5.0
300	5.0
400	5.0
500	4.7

HOUSING FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $514,710,000 total original principal amount of Bonds under the General Resolution, of which $510,265,000 (unaudited) were outstanding as of January 31, 2011, as shown below:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Amount Outstanding as of January 31, 2011 (unaudited)	Original Net Interest Cost
2009-A	December 23, 2009	$100,000,000	--	$ 98,475,000	3.96%
2009-B[(1)]	December 23, 2009	300,000,000	--	154,710,000	[(2)]
2010-A/2009-B-1	June 17, 2010	74,710,000	$85,290,000	157,080,000	3.85
2010-B/2009-B-2	November 10, 2011	40,000,000	60,000,000	100,000,000	3.15
TOTAL		$514,710,000		$510,265,000	

(1) A portion of such Bonds was previously converted and redesignated as Issue 2009-B, Subseries B-1 and Issue 2009-B, Subseries B-2. An additional portion of such Bonds is being converted and redesignated as the Subseries B-3 Bonds in connection with the Issue 2011-A Bonds offered hereunder.

(2) Variable rate, taxable. Scheduled to convert to fixed rate, non-taxable in 2011. See "NEW ISSUE BOND PROGRAM."

Origination Experience

THDA's experience from December 23, 2009, to January 31, 2011, regarding origination of Program Loans[(1)] from lendable proceeds of Bonds issued since December 23, 2009, is shown in the following table:

Issue of Bonds	Lendable Proceeds	Program Loans Financed[(2)] as of January 31, 2011 Amount	%	Weighted Average Mortgage Interest Rate
2009-A	$ 98,833,984	$ 98,833,984	100.00%	5.38%
2010-A/2009-B-1	136,547,095	136,547,095	100.00	5.20
2010-B/2009-B-2	95,990,100	95,418,396	99.40	4.83
TOTAL	$331,371,179	$330,799,475[(3)]		

(1) See "HOUSING FINANCE PROGRAM LOANS—Description of Program Loans" for more information about Program Loans.

(2) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments and Transferred Loans are not included.

(3) Excludes Transferred Loans.

In order to comply with the Code, certain Bonds issued by THDA resulted in the creation of pools of lendable proceeds which must be originated at very low or 0% interest to achieve yield compliance on such Bonds. The currently available amount of such pools of lendable proceeds, on an aggregate basis, is approximately $9,000,000 as of January 31, 2011. THDA intends to use such amounts, from time to time, to finance Program Loans on a blended basis, or at 0% interest, with the lendable proceeds of the Series Bonds or current or future Bonds to reduce interest rates on various types of Program Loans as determined by THDA.

HOUSING FINANCE PROGRAM LOANS

Description of Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. See Appendix H for a description of Program Loan Procedures related to Code requirements and Appendix F for THDA Household Income Limits and Acquisition Cost Limits.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of Bonds will be made in accordance with the Program Loan Procedures described in Appendix H. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. The current interest rate for Great Rate Program Loans is 4.75%, the current interest rate for the Great Advantage Program Loans is 5.05% and the current interest rate for Great Start Program Loans is 5.35%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues identified in the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

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Housing Finance Program Portfolio Data

General

As of January 31, 2011 (unaudited), 3,704 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $362,074,836 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 341.80 months and an approximate weighted average interest rate of 5.22%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of January 31, 2011 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA [(1)]	Number of Program Loans	Outstanding Balance [(4)]	Percent of Total Number of Program Loans [(4)]	Percent of Outstanding Balance [(4)]
FHA Insured………………………….	3,433	$341,338,816	92.68%	94.27%
VA Guaranteed………………………	49	3,740,894	1.32	1.03
Privately insured[(2)]...........................	20	863,410	0.54	0.24
Uninsured[(3)]………………………….	58	4,506,829	1.57	1.25
USDA/RD Guaranteed……………...	144	11,624,887	3.89	3.21
TOTAL………………………….….	3,704	$362,074,836[(5)]	100.00%[(5)]	100.00%[(5)]

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOUSING FINANCE PROGRAM LOANS—Description of Program Loans" for a description of types of Program Loans.

(2) Consists of Transferred Loans transferred to the Resolution from the 1985 General Resolution in connection with the Issue 2010-A/2009-B Subseries B-1 Bonds.

(3) 22% minimum equity interest by borrower at time of closing.

(4) Rounded figures.

(5) Rounded total. Includes Transferred Loans.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Transferred Loans are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of January 31, 2011 (unaudited), 20 privately insured Program Loans all of which are Transferred Loans, having an aggregate balance of approximately $863,410 were outstanding under the General Resolution as shown below:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [(1)]	Percent of Total Number of Program Loans[(1)]	Percent of Outstanding Balance [(1)]
Commonwealth/CMAC	2	$ 90,116	0.054%	0.0247%
Genworth Mortgage Insurance Corp. (GE)	7	347,022	0.189	0.0957
Mortgage Guaranty Insurance Corporation	1	35,785	0.027	0.0099
PMI Mortgage Insurance	2	18,126	0.054	0.0050
Radian Guaranty Inc.	2	84,240	0.054	0.0232
Republic Mortgage Insurance Corporation	5	252,596	0.135	0.0690
United Guaranty Residential Insurance Co.	1	35,525	0.027	0.0098
TOTAL	20	$863,410[(2)]	0.540%[(2)]	0.2373%[(2)]

(1) Rounded figures.

(2) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of January 31, 2011 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[(1)]	Outstanding Balance [(2)]	Percent of Total Number of Program Loans[(2)]	Percent of Outstanding Balance [(2)]
0.00-4.99	1,088	$113,227,060	29.37%	31.27%
5.00-5.49	929	99,573,139	25.08	27.54
5.50-5.99	1,195	125,501,228	32.26	34.71
6.00-6.49	55	2,452,968	1.48	0.68
6.50-6.99	303	15,345,642	8.19	4.24
7.00-7.49	25	1,392,128	0.68	0.39
7.50-7.99	14	1,022,384	0.38	0.28
8.00-8.49	73	3,136,289	1.97	0.87
8.50-8.99	22	423,998	0.59	0.12
TOTAL	3,704	$362,074,836[(3)]	100.00%[(3)]	100.00%[(3)]

(1) See “HOUSING FINANCE PROGRAM LOANS —Description of Program Loans” for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America (“MBA”).

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

For information with respect to defaults and foreclosures relating to THDA's Homeownership Program under the 1985 General Resolution, see related Official Statements and quarterly reports on file with the Municipal Securities Rulemaking Board at www.msrb.org.

Delinquencies and Foreclosures as of January 31, 2011

As of January 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.73%, based on a total of 3,704 Program Loans as of January 31, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of January 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JANUARY 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	58	$5,204,196	1.69%	2.50%[4]
VA Guaranteed	1	117,015	2.04	1.49
Privately insured	3	135,874	15.00	0.91
USDA/RD Guaranteed	1	78,580	0.69	(5)
Uninsured	1	119,805	1.72	(5)
TOTAL	64	$5,655,470[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

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As of January 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 2.38%, based on a total of 3,704 Program Loans as of January 31, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of January 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JANUARY 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	78	$6,613,289	2.27%	5.21%[4]
VA Guaranteed	3	189,093	6.12	2.83
Privately insured	2	113,319	10.00	1.77
USDA/RD Guaranteed	4	254,058	2.78	(5)
Uninsured	1	76,177	1.72	(5)
TOTAL	88	$7,245,936[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of January 31, 2011 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.68%, based on a total of 3,704 Program Loans as of January 31, 2011.

The foreclosure rate by loan type for Program Loans in foreclosure as of January 31, 2011 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2010, are as follows:

IN FORECLOSURE AS OF JANUARY 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	24	$2,144,397	0.70%	2.24%[4]
VA Guaranteed	0	0	0.00	1.88
Privately insured	0	0	0.00	1.65
USDA/RD Guaranteed	1	47,831	0.69	(5)
Uninsured	0	0	0.00	(5)
TOTAL	25	$2,192,228[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix K.

FINANCIAL SUMMARY OF HOUSING FINANCE PROGRAM

Consolidated Revenues and Net Assets

The following table summarizes consolidated revenues and net assets for Housing Finance Program Bonds for the year ended June 30, 2010. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the year ended June 30, 2010.

Housing Finance Bond Group		Year Ended June 30 (Audited) 2010
REVENUES:		
Interest on Mortgages	$	3,143
Investment Income:		
Interest		69
Net Increase (decrease) in the Fair Value of Investments		185
Fees and Other Income		-
		3,397
EXPENSES:		
Interest		2,151
Issuance Cost		22
Mortgage Servicing Fees		208
Down Payment Assistance Grants		-
Other		19
		2,400
Excess of Revenues over Expenses		997
Net Assets/Retained Earnings at beginning of period		-
Loss on early retirement of bonds		-
Other Transfers		21,084
Net Assets/Retained Earnings at end of period	$	22,081

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. Bids are solicited by THDA in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of January 31, 2011 (unaudited), the short-term investment portfolio was placed as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 3,009,350
Federal Home Loan Bank Notes	2,101,531
Federal Home Loan Mortgage Corporation Notes	5,889,512
Fannie Mae Notes	237,405
United States Treasury Bonds	157,657,201(1)
TOTAL	$ 168,894,999

(1) $154,828,929 of such investment is allocated to the Issue 2009-B Escrow Subaccount of the Loan Fund; investments allocated to the Issue 2009-B Escrow Subaccount of the Loan Fund will proportionately diminish upon each release of proceeds from the Issue 2009-B Escrow Subaccount of the Loan Fund, including the release of $60,000,000 principal amount of proceeds in connection with the conversion and redesignation of the Subseries B-3 Bonds.

As of January 31, 2011 (unaudited), amounts in the Bond Reserve Fund, a portion of the short-term investment portfolio described above, were invested as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 3,009,350
Federal Home Loan Mortgage Corporation Notes	5,889,512
Fannie Mae Notes	237,405
United States Treasury Bonds	2,828,272
TOTAL	$ 11,964,539

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

THDA is subject to periodic review by the General Assembly to evaluate the necessity for its continued existence. THDA's existence has been continued until June 30, 2014.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of January 31, 2011 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $2,154,490,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors are shown below:

Name	Term Expires	Principal Occupation
Robyn J. Askew	July 1, 2013	Attorney, Bosch Law Firm Knoxville, TN
Brian Bills	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Tim Bolding	July 1, 2012	Executive Director, United Housing, Inc. Memphis, TN
Terry Cunningham	July 1, 2011	Executive Director, Kingsport Housing and Redevelopment Authority, Kingsport, TN
Mark Emkes[(1)]	(2)	Commissioner, Department of Finance and Administration
Mark Cate[(1)]	(2)	Special Assistant & Policy Advisor to the Governor
William Graves	July 1, 2013	Retired. Formerly General Manager, Fleetwood Homes of TN, Inc., Gallatin, TN
Tre Hargett[(1)]	January, 2013	Secretary of State
Winston Henning	July 1, 2012	Executive Director, Jackson Housing Authority, Jackson, TN
Loretta J. Jercinovich	July 1, 2012	President, First State Bank Mortgage Division Jackson, TN
E. D. Latimer, Chairman	July 1, 2011	Executive Director, Affordable Housing Resources, Inc., Nashville, TN
David H. Lillard, Jr.[(1)]	January, 2013	State Treasurer
Janis McNeely	July 1, 2013	Retired. Formerly, Relationship Manager, First Tennessee Home Loans, Nashville, TN
Alvin Nance	July 1, 2012	President/CEO, Knoxville's Community Development Corporation, Knoxville, TN
Brad Rainey	July 1, 2011	President, Brad Rainey Homes, Inc. Cordova, TN
Lisa Reid	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
Benjie Shuler	July 1, 2012	Real Estate Broker, Collins & Shuler Management Knoxville, TN
F. Carl Tindell	July 1, 2011	Owner/Chairman, Tindell's Building Supply Knoxville, TN
Justin Wilson[(1)]	January, 2013	Comptroller of the Treasury
Mary Chatman	(3)	Springfield, TN

(1) Ex officio member.

(2) Serves at pleasure of Governor.

(3) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 230 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ted R. Fellman – Executive Director since 2005. THDA employee since 1995. Formerly, Tennessee Department of Correction (1992-1995); Correctional Enterprises of Tennessee (1986-1992); Tennessee Department of Finance and Administration (1984-1986). B.S., Tennessee Technological University; M.P.A., Tennessee State University.

Lynn E. Miller – Chief Legal Counsel since February 2011; formerly Deputy Executive Director since 2005 and General Counsel since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Trent Ridley – Chief Financial Officer since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Ronald L. Erickson, C.P.A. – Director of Internal Audit since 2000. Formerly, Tennessee Department of General Services (1984-2000); Comptroller of the Treasury, Division of Municipal Audit (1980-1984). B.B.A., Austin Peay State University.

Laura Sinclair – Chief Program Officer since February 2011; formerly Senior Director of Single and Multifamily Programs since 2010. THDA employee since 2006. Formerly, Columbia National Mortgage (1998-2000); Tennessee Housing Development Agency (1997-1998); New Mexico Mortgage Finance Authority (1994-1997); North American Mortgage Co. (1992-1994); CBS Commercial Real Estate Co. (1990-1991); PaineWebber Mortgage Finance Co. (1984-1990). B.A., University of New Mexico.

Lindsay Pully – Director of Single Family Programs since February 2011; formerly Assistant Director of Single Family Programs since January 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in nine (9) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide for the creation of the Housing Program Fund, the Housing Program Reserve Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Homeownership Program and any of the other general bond resolutions or mortgage loan programs of THDA. The Housing Program Fund originally contained, among other things, state tax revenue statutorily directed to THDA for the HOUSE Program, a statutorily authorized grant program administered by THDA that is not related to the General Resolution, the Homeownership Program or any of the other general bond resolutions or mortgage loan programs of THDA. The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from THDA's Housing Bond Resolution (Mortgage Finance Program) in accordance with its terms, together with related investment earnings. The Housing Program Reserve Fund was created as a reserve for THDA's non-mortgage programs. See Appendix E under the heading "OTHER THDA FINANCINGS" for a description of each of these statutorily created funds. These funds are not pledged as security for the Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA:

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal years ending June 30, 2011 and 2012.

Payment of THDA Operating Expenses, Including Program Expenses

THDA administers certain federal programs such as the low income housing tax credit program, the Section 8 program and the HOME program and pays operating expenses associated with these programs from administrative fees earned or other fees charged in connection with the administration of these programs. Neither investment earnings from the Assets Fund nor amounts in the General Resolution have been used to pay the operating expenses associated with these programs.

From 1988 to 2002, investment earnings from amounts on deposit in the Assets Fund, as supplemented with investment earnings on other THDA funds, were a primary source for paying THDA operating and administrative costs and expenses, including staff salaries, Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) under the General Resolution and substantially all other expenses associated with the Homeownership Program and the other general bond resolutions and mortgage loan programs of THDA. Investment earnings from amounts on deposit in the Assets Fund were annually transferred by THDA to the Housing Program Fund, from which referenced expenses were paid. Although such investment earnings on amounts on deposit in the Assets Fund no longer exist due to the transfers from the Assets Fund to the State General Fund described above, THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure cost and other similar costs) and other THDA operating and administrative costs and expenses from the Housing Program Fund. In the future, however, THDA expects to use more of the amounts available under THDA bond resolutions, including the General Resolution, for the payment of Program Expenses in addition to the payment of Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Regardless of THDA's best efforts and in the event of additional transfers, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

State Budget

The State approved budget for fiscal year 2010-2011 which ends June 30, 2011 (the "FY 2010-2011 Budget") is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The FY 2010-2011 Budget, as adopted by the General Assembly, recognizes the current economic situation and is based on State revenue growth estimates that reflect a modest two percent growth in revenue collections in 2010-2011.

On an accrual basis, February is the seventh month in the 2010-2011 fiscal year. For the month, General Fund collections were $8.6 million above the official budgeted estimate, and overall revenues were $7.2 million more than budgeted. Year-to-date for seven months, the General Fund is over collected by $123.5 million, and the four other funds that share in State tax revenue collections are $20.7 million over collected. The total year-to-date over collection through seven months is $144.2 million.

If projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA.

The Governor's budget proposal for fiscal year 2011-2012 has been released (the "FY2011-2012 Budget Proposal"). The FY2011-2012 Budget Proposal includes no redirection or transfer of THDA funds to the State General Fund. The State General Assembly is currently in session; however, the FY2011-2012 Budget Proposal has not been passed. THDA cannot predict whether or not the Governor or the General Assembly will modify the FY2011-2012 Budget Proposal and, if modified, what, if any, impact it may have on THDA.

If action is taken to redirect or transfer THDA resources to the State General Fund whether to close out fiscal year 2010-2011 or in connection with the fiscal year 2011-2012 budget, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Other Post-Employment Benefits

Certain Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). These GASB Statements have effective dates of fiscal year ended June 30, 2007, for the plan and June 30, 2008, for the employer. To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2009, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $3,629,000 and the annual required contribution for THDA is approximately $394,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2012. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1985 General Resolution or the 1974 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the “Program Documents”) in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Issue 2011-A Bonds and the conversion and redesignation of the Subseries B-3 Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Series Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Series Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Issue 2011-A Bonds and conversion and redesignation of the Subseries B-3 Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Interest on the Series Bonds (i) will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (ii) is not included in corporations’ calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Series Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income”, taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Series Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Series Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery, or conversion, as applicable, of the Series Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Issue 2011-A Bonds and conversion of Subseries B-3 Bonds, as applicable, interest on the Series Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Series Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of a Series Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned the Series Bonds a rating of Aa2. Such rating reflects only the views of the rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's. THDA has furnished to Moody's certain information and materials with respect to the Series Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 1974 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, without regard to whether such Rule applies to the placement of the Subseries B-3 Bonds, THDA, in the Issue 2009-A/B Supplemental Resolution and in the Issue 2011-A Supplemental Resolution for the benefit of the Beneficial Owners of the Series Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared as described in "FINANCIAL STATEMENTS" below, and an annual updating of certain information relating to the Program Loans, including, without limitation, information with respect to the outstanding balances of such Program Loans, by mortgage type, and delinquency information, and in Appendices E and F (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, with (i) the MRSB and (ii) the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Series Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Bond Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on credit enhancements, if any, for the Series Bonds, reflecting financial difficulties; (v) substitution of credit or liquidity providers, if any, for the Series Bonds, or their failure to perform; (vi) adverse tax opinions, or material notices of determinations with respect to the tax status of the Series Bonds or other material events affecting the tax-exempt status of the Series Bonds; (vii) modifications to rights of holders of the Series Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Series Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Issuer (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent of similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2011-A Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the Series Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2011-A Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, as applicable, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Series Bonds, or (ii) the holders of the Series Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Series Bonds pursuant to the General Resolution as in effect on the date of the Issue 2011-A Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, as applicable, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2011-A Supplemental Resolution and the Issue 2009-A/B Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2011-A Bonds and the Issue 2009-B Bonds (including the Subseries B-3 Bonds), respectively. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Series Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial

Owner of the Series Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Series Bonds, a certificate of THDA and the opinion of the General Counsel of THDA will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series Bonds, or in any way contesting or affecting the validity of the Series Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Series Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Issue 2011-A Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Issue 2011-A Bonds in substantially the form attached hereto as Appendix I. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York. Certain legal matters incident to the conversion of the Subseries B-3 Bonds will be passed upon by Kutak Rock LLP.

FINANCIAL STATEMENTS

Appendix A contains the audited financial statements of THDA and supplementary data as of and for the fiscal years ending June 30, 2010, and June 30, 2009, together with the letter thereon from Arthur A. Hayes, Jr., CPA, Director, Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee. Such audited financial statements and supplementary data are included herein in reliance upon the report thereon of such official. The audited financial statements are audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”).

UNDERWRITING

RBC Capital Markets, LLC, Morgan Keegan & Company, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Raymond James & Associates, Inc., M.R. Beal & Company and FTN Financial Capital Markets, Inc. (collectively, the “Underwriters”) have agreed, subject to certain conditions (including the conversion of the Subseries B-3 Bonds), to purchase Issue 2011-A Bonds from THDA at a purchase price of 100% of the principal amount thereof and an initial issue premium with respect to the Issue 2011-A PAC Bonds in the amount of $419,651.10. The Underwriters will be paid a fee in connection with the purchase of the Issue 2011-A Bonds in an amount equal to $299,354.61. The obligations of the Underwriters to purchase the Issue 2011-A Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Issue 2011-A Bonds if any such Issue 2011-A Bonds are purchased. The Underwriters are not acting as placement agents with respect to the Subseries B-3 Bonds and such Subseries B-3 Bonds are not being offered or remarketed hereby.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Bonds.

With respect to the Subseries B-3 Bonds, this Official Statement is deemed to be a supplement to the Official Statement and Private Placement Memorandum of THDA dated December 3, 2009, provided in connection with the delivery of the Issue 2009-B Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ E. D. Latimer
Chairman

/s/ Ted R. Fellman
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

December 30, 2010

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2010, and June 30, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2010, and June 30, 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued our report dated December 30, 2010, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2010 and June 30, 2009. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists people is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2010, THDA has originated over 104,000 single-family mortgage loans in its 37-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher program in approximately 74 of Tennessee's 95 counties, as well as project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at http://tennessee.gov/finance/act/cafr.html.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2010

- Total assets increased by $354.8 million, or 13.9 %.
- Total liabilities increased by $346.0 million, or 16.9%.
- Net assets (the amount that total assets exceeds total liabilities) were $518.8 million. This is an increase of $8.8 million, or 1.7%, from fiscal year 2009.
- Cash and cash equivalents increased $361.0 million, or 251.8%.
- Total investments decreased $139.2 million, or 39.7%.
- Bonds and notes payable increased $344.6 million, or 17.4%.
- THDA originated $344.0 million in new loans, which is an increase of $129.5 million, or 60.4%, from the prior year.

Year Ended June 30, 2009

- Total assets decreased by $45.5 million, or 1.7 %.
- Total liabilities decreased by $63.0 million, or 3.0%.
- Net assets (the amount that total assets exceeds total liabilities) were $510.0 million. This is an increase of $16.2 million, or 3.3%, from fiscal year 2008.
- Cash and cash equivalents decreased $129.0 million, or 47.4%.
- Total investments increased $55.2 million, or 18.6%.
- Bonds and notes payable decreased $65.2 million, or 3.2%.
- THDA originated $214.5 million in new loans, which is a decrease of $233.7 million, or 52.1%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2010	2009	2008
Current assets	$ 397,864	$ 313,017	$ 376,194
Capital assets	79	29	79
Other noncurrent assets	2,516,989	2,247,094	2,230,603
Total assets	2,914,932	2,560,140	2,606,876
Current liabilities	193,765	145,096	165,375
Noncurrent liabilities	2,202,405	1,905,071	1,947,753
Total liabilities	2,396,170	2,050,167	2,113,128
Invested in capital assets	79	29	79
Restricted net assets	514,383	508,036	492,193
Unrestricted net assets	4,300	1,908	1,476
Total net assets	$ 518,762	$ 509,973	$ 493,748

2010 to 2009

- THDA's total net assets increased $8.8 million, or 1.7%, from $510.0 million at June 30, 2009 to $518.8 million at June 30, 2010. This resulted from operating revenues that exceeded operating expenses.

- Mortgage loans receivable increased $116.2 million, or 5.8%, from $1,999.4 million at June 30, 2009 to $2,115.6 million at June 30, 2010. This increase resulted from mortgage loan originations that exceeded mortgage loan prepayments and repayments.

- Total liabilities increased $346.0 million, or 16.9%, from $2,050.2 million at June 30, 2009 to $2,396.2 million at June 30, 2010. The increase is primarily due to a increase in the amount of bonds issued during fiscal year 2010 as compared to fiscal year 2009, primarily, the issuance of bonds in the Housing Finance Program Bonds Resolution.

2009 to 2008

- THDA's total net assets increased $16.2 million, or 3.3%, from $493.8 million at June 30, 2008 to $510.0 million at June 30, 2009. This primarily resulted from an increase in mortgage interest income, and an increase in the fair value of investments. (The amount of net assets as of June 20, 2008 was revised from the amount previously reported as a result of a Prior Period Adjustment. Note 12 of the Notes to the Financial Statements contains full guidance regarding this adjustment.)

- Mortgage loans receivable increased $13.6 million, or 0.7%, from $1,985.8 million at June 30, 2008 to $1,999.4 million at June 30, 2009. This is not a significant change from the prior year.

- Total liabilities decreased $63.0 million, or 3.0%, from $2,113.1 million at June 30, 2008 to $2,050.2 million at June 30, 2009. The decrease is primarily due to a reduction in the amount of bonds issued during fiscal year 2009 as compared to fiscal year 2008, as well as the redemption of $83.1 million of its Single Family Mortgage Notes (please refer to Note 4 of the Notes to the Financial Statements for more information).

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2010	2009	2008
Operating revenues			
Mortgage interest income	$ 118,572	$ 119,500	$ 111,142
Investment income	14,517	17,905	38,756
Other	17,588	14,186	15,751
Total operating revenues	150,677	151,591	165,649
Operating expenses			
Interest expense	93,154	93,103	97,328
Other	32,677	29,931	29,934
Total operating expenses	125,831	123,034	127,262
Operating income	24,846	28,557	38,387
Nonoperating revenues (expenses)			
Grant revenues	254,417	186,800	185,204
Grant expenses	(270,474)	(199,132)	(187,235)
Total nonoperating revenues (expenses)	(16,057)	(12,332)	(2,031)
Change in net assets	$ 8,789	$ 16,225	$ 36,356

2010 to 2009

For the year ended June 30, 2010, total operating revenues decreased $.9 million from $151.6 million for the year ended June 30, 2009, to $150.7 million for the year ended June 30, 2010.

For the year ended June 30, 2010, total operating expenses increased $2.8 million, or 2.3%, from $123.0 million in 2009 to $125.8 million for the year ended June 30, 2010.

While the total net assets for fiscal year 2010 increased $8.8 million from the previous year, the non-monetary change in the fair value of investments contributed $3.8 million toward this increase. When considered without these non-monetary components, net assets would have increased $5.0 million.

2009 to 2008

For the year ended June 30, 2009, total operating revenues decreased $12.8 million from $164.4 million for the year ended June 30, 2008 to $151.6 million for the year ended June 30, 2009. The primary reasons for this decrease are as follows:

- Mortgage interest income increased $8.4 million, or 7.5%, from $111.1 million in 2008 to $119.5 million in 2009. This increase is due to record high origination of new mortgage loans as experienced during FY 2007 and FY 2008.

- Investment income decreased $20.9 million, or 53.8%, from $38.8 million in 2008 to $17.9 million in 2009. This decrease is primarily due to a decrease in the total amount of invested funds during FY 2009 as compared to FY 2008, as well as a decrease in the investment interest rates.

For the year ended June 30, 2009, total operating expenses decreased $4.3 million, or 3.3%, from $127.3 million in 2008 to $123.0 million in 2009. This decrease is primarily due to a decrease in interest expense as a result of debt management practices.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2010	2009	2008
Bonds payable	$ 2,316,748	$ 1,972,561	$ 1,952,295
Notes payable	3,672	3,250	88,720
Total bonds and notes payable	$ 2,320,420	$ 1,975,811	$ 2,041,015

Year Ended June 30, 2010
Total bonds and notes payable increased $344.6 million, or 17.4%, due primarily to an increase in the issuance of THDA's bonds. During the fiscal year, THDA issued debt totaling $551.0 million, with activity arising from four bond issues. During FY 2010, THDA participated in the New Issue Bond Program (NIBP) as established by the United States Treasury Department. Principal redemptions during FY 2010 totaled $203.6 million.

Year Ended June 30, 2009
Total bonds and notes payable decreased $65.2 million, or 3.2%, due primarily to a redemption of THDA's Single Family Mortgage Notes in the amount of $83.1 million. Please see Note 4 (e) for more information regarding this transaction. During the fiscal year, THDA issued debt totaling $267.6 million, with activity arising from four bond issues totaling $220.0 million and one note draw under the single family mortgage note program totaling $44.3 million. In addition, THDA obtained a $3.25 million loan from a local financial institution for the Housing Trust Fund. Principal redemptions decreased $256.1 million, from $584.4 million in FY 2008 to $328.2 million in FY 2009.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) will provide temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 Million of bonds under the NIBP, which were $60 Million (Bond Issue 2009-A2) and $300 Million (Bond Issue 2009-B1). The $300 Million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, on June 17, 2010, THDA released, re-designed, and converted $85,290,000 of escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds (Bond Issue 2009-B, Subseries B-1).

Considering the investment requirements for the NIBP escrowed bonds as established by the United States Treasury Department, the proceeds of these escrowed bonds are presented on the Statements of Net Assets as Non-Current Assets, Restricted Assets, Cash and Cash Equivalents. Bonds issued under the NIBP have been placed in the Housing Finance Program Bonds resolution.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

Debt Limits
In accordance with *Tennessee Code Annotated* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During the past few years, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2010	FY 2009	FY 2008 and Prior	Total
Funding Sources:				
THDA	$ 6,000,000	$ 6,000,000	$ 12,000,000	$ 24,000,000
State Appropriation	-	350,000	4,000,000	4,350,000
Totals	**$ 6,000,000**	**$ 6,350,000**	**$ 16,000,000**	**$ 28,350,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 1,400,000	$ 2,800,000
Ramp Program (UCP)	-	-	50,000	50,000
Ramp Program	-	150,000	250,000	400,000
Hsg Modification & Ramp Prg	150,000	-	-	150,000
Homebuyer Education Initiative		-	300,000	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	4,000,000	8,000,000
Competitive Grants	3,150,000	3,500,000	10,000,000	16,650,000
Totals	**$ 6,000,000**	**$ 6,350,000**	**$ 16,000,000**	**$ 28,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

During FY 2009, THDA received a loan of $3.25 million from a local financial institution for the Housing Trust Fund. Likewise, in FY 2010 THDA received a similar loan of $500,000. These funds will be used to fund short-term second mortgages for low income Tennesseans for homeowner rehabilitation. As required by these lending financial institutions, this program is limited to residents in geographic areas as specified by these financial institutions. THDA is actively pursuing additional financial institutions to also join this program throughout the state.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers a below market interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; who are rated at least AA by Standard & Poor's Rating Group; and who provide protection against involuntary job loss at no extra cost to the borrower. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance. The maximum acceptable LTV is 97%.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/singlefamily/hochoices.html.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2010, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,756	657	46,015,708	2.46%
90+ Days Past Due	26,756	1,293	95,704,596	4.83%
In Foreclosure	26,756	136	10,466,566	0.51%

As of June 30, 2009, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,914	778	54,242,587	3.00%
90+ Days Past Due	25,914	1,452	103,219,318	5.60%
In Foreclosure	25,914	154	11,243,068	0.59%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND JUNE 30, 2009
(Expressed in Thousands)

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 270,188	$ 132,294
Investments (Note 2)	14,579	88,217
Receivables:		
Accounts	28,463	20,957
Interest	13,258	13,794
First mortgage loans	48,601	44,135
Other	-	123
Due from federal government	22,775	13,497
Total current assets	397,864	313,017
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	234,268	11,115
Investments (Note 2)	181,751	183,261
Investment interest receivable	2,169	1,956
Investments (Note 2)	15,643	79,738
First mortgage loans receivable	2,066,997	1,955,274
Deferred charges	13,209	12,822
Advance to local government	2,952	2,928
Capital assets:		
Furniture and equipment	346	238
Less accumulated depreciation	(267)	(209)
Total noncurrent assets	2,517,068	2,247,123
Total assets	2,914,932	2,560,140
LIABILITIES		
Current liabilities:		
Warrants / wires payable (Note 3)	8,297	12,450
Accounts payable	6,617	1,975
Accrued payroll and related liabilities	443	392
Compensated absences	494	515
Interest payable	47,267	47,990
Escrow deposits	585	643
Prepayments on mortgage loans	1,862	1,808
Bonds payable (Note 4)	128,200	79,315
Deferred revenue	-	8
Total current liabilities	193,765	145,096
Noncurrent liabilities:		
Notes payable (Note 4)	3,672	3,250
Bonds payable (Note 4)	2,188,548	1,893,246
Compensated absences	451	557
Net OPEB obligation (Note 9)	794	602
Escrow deposits	4,393	4,241
Arbitrage rebate payable	4,547	3,146
Deferred revenue	-	29
Total noncurrent liabilities	2,202,405	1,905,071
Total liabilities	2,396,170	2,050,167
NET ASSETS		
Invested in capital assets	79	29
Restricted for single family bond programs (Note 5 and Note 7)	504,955	492,973
Restricted for grant programs (Note 5)	6,274	11,909
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,154	3,154
Unrestricted (Note 7)	4,300	1,908
Total net assets	$ 518,762	$ 509,973

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Expressed in Thousands)

	2010	2009
OPERATING REVENUES		
Mortgage interest income	$ 118,572	$ 119,500
Investment income:		
Interest	12,846	15,344
Net increase in the fair value of investments	1,671	2,561
Federal grant administration fees	15,136	11,770
Fees and other income	2,452	2,416
Total operating revenues	150,677	151,591
OPERATING EXPENSES		
Salaries and benefits	13,841	13,743
Contractual services	3,315	2,624
Materials and supplies	321	527
Rentals and insurance	90	1,212
Other administrative expenses	502	639
Other program expenses	6,433	3,140
Interest expense	93,154	93,103
Mortgage service fees	7,394	7,303
Issuance costs	723	693
Depreciation	58	50
Total operating expenses	125,831	123,034
Operating income	24,846	28,557
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	253,712	185,092
Other grants revenue	705	1,358
Payment from primary government	-	350
Federal grants expenses	(253,605)	(189,042)
Local grants expenses	(16,869)	(10,090)
Total nonoperating revenues (expenses)	(16,057)	(12,332)
Change in net assets	8,789	16,225
Total net assets, July 1	509,973	492,462
Prior period adjustment (Note 12)	-	1,286
Total net assets, July 1, as restated	509,973	493,748
Total net assets, June 30	$ 518,762	$ 509,973

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Expressed in Thousands)

	2010	2009
Cash flows from operating activities:		
Receipts from customers	$ 338,749	$ 303,583
Receipts from federal government	15,117	6,187
Other miscellaneous receipts	2,575	2,406
Acquisition of mortgage loans	(344,054)	(214,506)
Payments to service mortgages	(7,394)	(7,303)
Payments to suppliers	(11,543)	(10,565)
Payments to federal government	128	-
Payments to employees	(13,422)	(12,763)
Net cash provided (used) by operating activities	(19,844)	67,039
Cash flows from non-capital financing activities:		
Operating grants received	245,158	192,088
Negative cash balance implicitly financed (repaid)	(4,153)	4,825
Proceeds from sale of bonds	550,973	219,678
Proceeds from issuance of notes	500	47,580
Operating grants paid	(266,217)	(199,518)
Cost of issuance paid	(2,237)	(2,142)
Principal payments	(203,603)	(328,245)
Interest paid	(93,775)	(93,553)
Net cash provided (used) by non-capital financing activities	226,646	(159,287)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(108)	-
Net cash used by capital and related financing activities	(108)	-
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	450,136	378,527
Purchases of investments	(309,431)	(432,090)
Investment interest received	13,557	15,868
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	91	963
Net cash provided (used) by investing activities	154,353	(36,732)
Net increase (decrease) in cash and cash equivalents	361,047	(128,980)
Cash and cash equivalents, July 1	143,409	272,389
Cash and cash equivalents, June 30	$ 504,456	$ 143,409

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Expressed in Thousands)

	2010	2009
Reconciliation of operating income to net cash used by operating activities:		
Operating income	$ 24,846	$ 28,557
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation and amortization	781	743
Changes in assets and liabilities:		
(Increase) in accounts receivable	(7,506)	(11,196)
(Increase) in mortgage interest receivable	(269)	(1,823)
(Increase) in first mortgage loans receivable	(116,213)	(13,641)
(Increase) in due from federal government	(19)	(5,658)
(Increase) in deferred charges	(2,237)	(2,232)
(Increase) decrease in other receivables	123	(10)
Increase (decrease) in accounts payable	533	(4,085)
Increase in accrued payroll / compensated absences	116	487
(Decrease) in due to primary government	-	(3)
(Decrease) in deferred revenue	(37)	(190)
Increase in arbitrage rebate liability	1,401	892
Investment income included as operating revenue	(14,517)	(17,905)
Interest expense included as operating expense	93,154	93,103
Total adjustments	(44,690)	38,482
Net cash provided (used) by operating activities	$ (19,844)	$ 67,039
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	$ 3,789	$ 1,713
Total noncash investing, capital, and financing activities	$ 3,789	$ 1,713

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq*. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, approves its operating budget, and provides some financial support. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, and Homeownership Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both restricted and unrestricted resources are available for use, generally it is the agency's policy to use the restricted resources first.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds. The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

f. Bond Issuance Costs and Refunding Costs

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond and Note Refunding Costs: The agency amortizes bond and note refunding costs using the straight-line method. Bonds and notes payable are reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

4. Mortgage Discount: Discounts on 30-year mortgage loans purchased by the agency are amortized using the straight-line method over 17 years, the estimated average life of mortgages. The amount amortized is credited to interest income.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2010, the bank balance was $533,214. At June 30, 2009, the bank balance was $1,404,893. All bank balances were insured. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report*. That report may be obtained by writing to the Tennessee Department of the Treasury, 502 Deaderick Street, Nashville, Tennessee 37243-0225, or by calling (615) 741-2956.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2010		**June 30, 2009**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$110,758,327	1.464	$200,097,788	1.369
U.S. Agency Discount	40,000,000	0.000	60,948,600	0.255
U.S. Treasury Coupon	91,214,027	5.898	88,406,383	6.428
U.S. Treasury Discount	214,769,030	0.000	0	N/A
Repurchase Agreements	124,000,000	0.005	80,000,000	0.000
Pass through Securities			1,763,903	0.120
Total	$580,741,384	1.030	$429,452,771	1.753

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.
The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on December 30, 2008. Although these securities were scheduled to mature on December 30, 2010, these bonds were called on December 30, 2009. The fair value of

these securities on June 30, 2009, was $3,019,689 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.8125 of par on January 28, 2009. Although these securities were scheduled to mature on July 28, 2014, these bonds were called on April 28, 2010. The fair value of these securities on June 30, 2009, was $1,970,000 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.84375 of par on January 30, 2009. Although these securities were scheduled to mature on January 30, 2014, these bonds were called on October 30, 2009. The fair value of these securities on June 30, 2009, was $2,000,626 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.6875 of par on April 17, 2009, and mature on April 17, 2024. The fair value of these securities on June 30, 2010, was $2,001,594, and on June 30, 2009, was $1,919,972 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 5.0% on April 17, 2012, to 6.0% on April 17, 2015, to 7.0% on April 17, 2018, and to 9.0% on April 17, 2021. This investment is callable quarterly beginning on October 17, 2009, and ending on January 17, 2024.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 13, 2009. Although these securities were scheduled to mature on May 13, 2010, these bonds were called on November 13, 2009. The fair value of these securities on June 30, 2009, was $5,000,157 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 100.302 of par on May 20, 2009. Although these securities were scheduled to mature on March 13, 2023, these bonds were called on September 13, 2009. The fair value of these securities on June 30, 2009, was $1,004,756 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on May 26, 2009. Although these securities were scheduled to mature on May 26, 2017, these bonds were called on May 26, 2010. The fair value of these securities on June 30, 2009, was $1,975,912 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,720,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.9687538 of par on May 28, 2009. Although these securities were scheduled to mature on May 28, 2014, these bonds were called on November 28, 2009. The fair value of these securities on June 30, 2009, was $3,679,314 which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 19, 2009. Although these securities were scheduled to mature on June 15, 2010, these bonds were called on December 15, 2009. The fair value of these securities on June 30, 2009, was $5,003,125 which is included in U.S. Agency Coupon in the table above.

The agency purchased $425,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 100.96 of par on June 19, 2009. Although these securities were scheduled to mature on October 15, 2013, these bonds were called on October 15, 2009. The fair value of these securities on June 30, 2009, was $429,287 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 24, 2009. Although these securities were scheduled to mature on June 24, 2014, these bonds were called on December 24, 2009. The fair value of these securities on June 30, 2009, was $2,000,626 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,865,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on November 12, 2009, and mature on November 12, 2024. The fair value of these securities on June 30, 2010, is $1,871,995 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 4.00% with a step-up option to 5.0% on November 12, 2013, to 6.5% on November 12, 2016, to 8.0% on November 12, 2018, to 9.0% on November 12, 2020, and to 10.0% on November 12, 2022. This investment is callable quarterly beginning on May 12, 2010, and ending on August 12, 2024.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 6, 2010, and mature on January 6, 2025. The fair value of these securities on June 30, 2010, is $5,001,563 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 6.5% on July 6, 2010. This investment is callable quarterly beginning on July 6, 2010, and ending on October 6, 2024.

The agency purchased $2,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.50 of par on January 28, 2010, and mature on January 28, 2025. The fair value of these securities on June 30, 2010, is $2,532,933 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 4.25% with a step-up option to 5.0% on January 28, 2015 and to 7.0% on January 28, 2020. This investment is callable quarterly beginning on January 28, 2011, and ending on October 28, 2024.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 27, 2010, and mature on November 27, 2015. The fair value of these securities on June 30, 2010, is $1,011,875 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 3.0% on May 27, 2012, to 4.0% on May 27, 2013, to 5.0% on May 27, 2014, and to 6.0% on May 27, 2015. This investment is callable quarterly beginning on May 27, 2011, and ending on August 27, 2015.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2010 and June 30, 2009 are included in the schedules below. Securities are rated using Standard and Poor's and / or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2010						
		U.S.	Credit Quality Rating			
Investment Type	**Fair Value**	**Treasury / Agency**[1]	**AAA**	**AA-2**	**A-1+**[2]	**Not Rated**[3]
U.S. Agency Coupon	$110,758,327		$104,877,194	$5,226,172		$654,961
U.S. Agency Discount	40,000,000				$40,000,000	
U.S. Treasury Coupon	91,214,027	$91,214,027				
U.S.Treasury Discount	214,769,030	214,769,030				
Repurchase Agreements	124,000,000					124,000,000
Total	$580,741,384	$305,983,057	$104,877,194	$5,226,172	$40,000,000	$124,654,961

June 30, 2009							
		U.S.	Credit Quality Rating				
Investment Type	**Fair Value**	**Treasury / Agency**[1]	**AAAm**	**AAA**	**A-1+**[2]	**AA-2**	**Not Rated**[3]
U.S. Agency Coupon	$200,097,788			$161,726,533		$4,940,625	$33,430,630
U.S. Agency Discount	60,948,600			29,949,000	$30,999,600		
U.S. Treasury Coupon	88,406,383	$88,406,383					
Repurchase Agreements	80,000,000						80,000,000
Pass Through Securities	1,763,903						1,763,903
Money Market Mutual Fund	58,869,923		$58,869,923				
Total	$490,086,597	$88,406,383	$58,869,923	$191,675,533	$30,999,600	$4,940,625	$115,194,533

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2010		June 30, 2009	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$51,165,877	8.81	$63,689,474	14.72
Federal Home Loan Mortgage Corp	N/A	N/A	$42,228,984	9.77
Federal National Mortgage Assoc	$73,222,727	12.61	$143,051,399	33.33
Repurchase Agreements – U.S. Agency	$124,000,000	21.35	$80,000,000	18.61

[1] Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2010	Ending Balance 6/30/2009
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$93,060	$107,865
Less: Deferred Amount on Refundings				(2,730)	(2,882)
Net Mortgage Finance Program Bonds				$90,330	$104,983

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2010	Ending Balance 6/30/2009
HOMEOWNERSHIP PROGRAM BONDS					
1996-3	7/1/99-7/1/2028	$65,000	4.30 to 6.00	$ -0-	$7,570
1996-5	7/1/99-7/1/2028	60,000	3.85 to 5.75	17,480	19,030
1997-1	7/1/99-7/1/2028	57,885	4.00 to 5.40	17,285	19,320
1997-2	7/1/2000-7/1/2029	50,000	3.20 to 5.20	11,450	13,410
1998-1	7/1/2001-7/1/2030	50,000	3.95 to 5.40	11,885	13,730
1998-2	7/1/2000-7/1/2029	30,000	4.00 to 5.375	5,625	6,335
1998-3	7/1/2000-7/1/2031	80,000	3.70 to 6.15	13,355	15,835
1999-1	7/1/2001-7/1/2031	41,000	3.95 to 6.25	5,850	6,555
1999-2	7/1/2001-7/1/2031	150,000	4.25 to 5.70	17,150	21,565
1999-3	7/1/2001-7/1/2031	110,000	4.30 to 6.15	-0-	21,025
2000-2	7/1/2001-7/1/2031	110,000	5.00 to 7.93	16,290	20,460
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	61,045	63,830
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	21,255	23,655
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	19,855	22,675
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	29,115	32,240
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	33,865	38,880
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	23,145	26,285
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	32,615	36,285
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	38,555	43,025
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	46,495	51,555
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	60,715	68,135
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	64,665	71,445
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	72,745	80,495
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	75,235	83,990
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	79,910	87,630
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	76,240	86,720
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	83,515	91,055

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2010	Ending Balance 6/30/2009
HOMEOWNERSHIP PROGRAM BONDS					
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	87,615	93,915
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	107,360	114,185
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	131,330	142,555
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	135,560	143,855
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	53,810	58,965
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	45,040	50,000
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	82,595	90,000
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	29,390	30,000
2009-1	1/1/2010-7/1/2029	50,000	.75 to 5.00	49,450	50,000
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	75,000	-0-
Total Homeownership Program Bonds		$3,073,855		$1,732,490	$1,846,210
Plus: Unamortized Bond Premiums				21,689	25,377
Less: Deferred Amount on Refundings				(3,086)	(4,009)
Net Homeownership Program Bonds				$1,751,093	1,867,578

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2010	Ending Balance 6/30/2009
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.900 to 4.625	$100,000	-0-
2009-B	7/1/2041	300,000	Variable	214,710	-0-
2010-A	1/1/2011-7/1/2041	74,710	0.600 to 5.0	160,000	-0-
Total Housing Finance Program Bonds		$474,710		$474,710	-0-
Plus: Unamortized Bond Premiums				730	-0-
Less: Deferred Amount on Refundings				(115)	-0-
Net Housing Finance Program Bonds				$475,325	-0-
Net Total All Issues				$2,316,748	$1,972,561

The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA may release funds from issue 2009-B up to three times before December 31, 2010.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000 which is in the ending balance at June 30, 2010 column.

The interest rate on the 2009-B bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2010 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2011	$269,962	$92,960	$362,922
2012	45,635	86,458	132,093
2013	42,210	84,986	127,196
2014	43,245	83,499	126,744
2015	44,640	81,861	126,501
2016 – 2020	197,848	381,358	579,206
2021 – 2025	249,383	336,647	586,030
2026 – 2030	273,457	270,967	544,424
2031 – 2035	270,933	208,491	479,424
2036 – 2040	585,366	97,301	682,667
2041 - 2042	300,000	5,066	305,066
Total	$2,322,679	$1,729,594	$4,052,273

The debt principal in the preceding table is $5,931,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the year ended June 30, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $168,625,000. The respective carrying values of the bonds were $10,651,667 and $170,939,715. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,314,715.

On June 17, 2010, the agency issued $74,710,000 in Housing Finance Program Bonds, Issue 2010-A. On June 17, 2010, the agency used $20,595,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $20,595,000 early redemption). The carrying amount of these bonds was $20,478,986. The refunding resulted in a difference of $116,014 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $5,910,703 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,812,047.

During the year ended June 30, 2009, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11,245,000 and in the Homeownership Program in the amount of $107,985,000. The respective carrying values of the bonds were $11,187,700 and $110,279,862. This resulted in an expense to the Mortgage Finance Program of $57,300 and in income to the Homeownership Program of $2,294,862.

On July 1, 2008, a fourth drawdown was made on the Series 2007 CN-1 Notes in the amount of $44,330,000. These proceeds were used on the same day to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $35,785,000 early redemption and $8,545,000 current maturities). The carrying amount of these bonds was $45,277,489. The refunding resulted in a difference of $947,489 between the reacquisition price and the net carrying amount of the old debt. Because notes were used to refund long-term bonds, neither the change in debt service nor the economic gain or loss disclosures are appropriate.

On August 7, 2008, the agency issued $50,000,000 in Homeownership Bonds, Issue 2008-2. On August 14, 2008, the agency used these bonds to refund the convertible drawdown notes, 2007 CN-1, which were used November 1, 2007, January 2, 2008, and July 1, 2008 to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The refunding increased the agency's debt service by $20,171,444 over the next 14 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $1,628,880.

On December 18, 2008, the agency issued $30,000,000 in Homeownership Bonds, Issue 2008-4. On January 2, 2009, the agency used $4,820,000 of these bonds to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $675,000 early redemption and $4,145,000 current maturities). The carrying amount of these bonds was $4,814,144. The refunding resulted in a difference of $5,856 between the reacquisition price and the net carrying amount of the old debt. The refunding increased the agency's debt service by $2,590,125 over the next 10.5 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of $51,209.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Notes Payable	$3,250	$500	($78)	$3,672	$-0-
Bonds Payable	1,954,075	549,710	(203,525)	2,300,260	128,200
Plus: Unamortized Bond Premiums	25,377	1,263	(4,221)	22,419	-0-
Less: Deferred Amount on Refundings	(6,891)	(125)	1,085	(5,931)	-0-
Compensated Absences	1,072	117	(244)	945	494
Net OPEB Obligation	602	235	(43)	794	-0-
Escrow Deposits	4,884	4,535	(4,441)	4,978	585
Arbitrage Rebate Payable	3,146	2,043	(642)	4,547	-0-
Deferred Revenue	37	76	(113)	-0-	-0-
Total	$1,985,552	$558,362	($212,230)	$2,331,684	$129,279

The following table is a summary of the long-term liability activity for the year ended June 30, 2009.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Notes Payable	$88,720	$47,580	($133,050)	$3,250	$-0-
Bonds Payable	1,929,270	220,000	(195,195)	1,954,075	79,315
Plus: Unamortized Bond Premiums	30,439	-0-	(5,062)	25,377	-0-
Less: Deferred Amount on Refundings	(7,414)	(426)	949	(6,891)	-0-
Compensated Absences	888	184	(-0-)	1,072	515
Net OPEB Obligation	281	449	(128)	602	-0-
Escrow Deposits	8,249	1,223	(4,588)	4,884	643
Arbitrage Rebate Payable	2,254	1,005	(113)	3,146	-0-
Deferred Revenue	227	294	(484)	37	8
Total	$2,052,914	$270,309	($337,671)	$1,985,552	$80,481

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

The following table is a summary of the drawdown note activity for the year ended June 30, 2009.

NOTES ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity	Stated Principal	Interest Rate (Percent)	Beginning Balance 7/01/2008	Additions	Reductions	Ending Balance 6/30/2009
SINGLE FAMILY MORTGAGE NOTES							
2007CN-1	8/12/2010	$ 450,000	0.000 to 4.822	$88,720	$44,330	$(133,050)	$-0-

There was no drawdown activity during the year ended June 30, 2010.

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 at 3% for the Preserve Loan Program, which is part of the Housing Trust Fund. Principal and interest are paid monthly with the principal maturing on August 4, 2012.

The activity of the 2007CN-1 notes shown above as well as the promissory note are also included in the summary of long-term liability activity in part d. of this note.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provides temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2009, after which the notes were to be available to reissue. Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency is allowed to hold its outstanding notes purchased from Morgan Keegan. The agency is allowed to hold the outstanding notes through December 31, 2010, after which the notes will be available to reissue. However, in accordance with the Financial Accounting Standards Board Statement 76 Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 502 Deaderick Street, Nashville, Tennessee, 37243-0201 or by calling (615) 741-7063.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 13.02% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were $1,295,272, $1,201,303, and $1,297,298. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2010, and June 30, 2009, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers’ compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state’s Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only “other postemployment benefit” (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-201 for the state plan and *TCA* 8-27-701 for the Medicare Supplement Plan. Prior to reaching age 65, retirees may participate in the State Employee Group Plan. Members of this plan have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. The POS and HMO options will no longer be available to members after January 1, 2011. Subsequent to age 65, retirees who are also in the state’s retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243, or by calling (615) 741-2140.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy. The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2010	June 30, 2009
Annual Required Contribution (ARC)	$351	$448
Interest on the Net OPEB Obligation	25	13
Adjustment to the ARC	(24)	(12)
Annual OPEB cost	352	449
Amount of contribution	(160)	(128)
Increase in Net OPEB Obligation	192	321
Net OPEB obligation-beginning of year	602	281
Net OPEB obligation-end of year	$794	$602

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2008	State Employee Group Plan	$ 443	37%	$ 281
6/30/2009	State Employee Group Plan	$ 449	29%	$ 602
6/30/2010	State Employee Group Plan	$ 352	45%	$ 794

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2009, was as follows (Thousands):

Actuarial valuation date	7/01/2009
Actuarial accrued liability (AAL)	$ 3,629
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 3,629
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,238
UAAL as a percentage of covered payroll	39%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6 percent initially, increased to 10 percent in the second year and then reduced by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2010, the State of Tennessee made payments of $2,657 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2009, made payments of $2,528. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass

Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243, or by calling (615) 741-2140.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. PRIOR – PERIOD ADJUSTMENT

For the years ended June 30, 2008 and June 30, 2009, the agency recorded federal administrative fee revenue on a cash basis instead of on an accrual basis. Therefore, the agency is restating its FY 2009 statements and effecting a prior period adjustment for FY 2008 for these fees.

For the year ended June 30, 2008, revenue in the amount of $1,286,244 was earned on or before June 30, 2008, but received on or after July 1, 2008. This revenue was recorded as an increase to cash and a recognition of revenue for the year ended June 30, 2009. If correctly recorded, this would have resulted in an increase to accounts receivable and recognition of revenue for the year ended June 30, 2008, and an increase to cash and a decrease to accounts receivable for the year ended June 30, 2009. As this error was made in a financial year prior to the comparative year, the opening Net Assets amount as of July 1, 2008 was increased by $1,286,244.

For the year ended June 30, 2009, revenue in the amount of $1,907,676 was earned on or before June 30, 2009, but received on or after July 1, 2009. If correctly recorded, this revenue would have resulted in an increase to accounts receivable and recognition of revenue for the year ended June 30, 2009.

The following financial statement line items for the year ended June 30, 2009 were affected by the correction of an error in previously issued financial statements on accrued federal administration fee revenue (expressed in thousands):

	As Originally reported	As Adjusted	Effect of change
Statements of net assets			
As of June 30, 2009			
Assets			
Current Assets			
Due from federal government	$11,589	$13,497	$1,908
Net Assets			
Unrestricted	$ -	$1,908	$1,908
Statements of revenues, expenses, and changes in net assets			
For the year ended June 30, 2009			
Operating Revenues			
Federal grant administration fees	$11,148	$11,770	$622
Operating income	$27,935	$28,557	$622
Statements of cash flows			
For the year ended June 30, 2009			
Reconciliation of operating income to net cash used by operating activities:			
Operating Income	$27,935	$28,557	$622
Adjustments to reconcile operating income to net cash used by operating activities:			
(Increase) in due from federal government	($5,036)	($5,658)	($622)

NOTE 13. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2010	Mortgage Finance Program	$ 3,305,000
	Homeownership Program	$74,945,000
	Housing Finance Program	$ 455,000
	Total	$78,705,000

b. On September 1, 2010, the U.S. Department of the Treasury announced changes to the New Issue Bond Program (NIBP). These changes included extending the program from its original date of December 31, 2010 until December 31, 2011; and increasing the number of NIBP draws from three to six.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2010	Mortgage Finance Program	$ 3,455,000
	Homeownership Program	$47,985,000
	Housing Finance Program	$ 425,000
	Total	$51,865,000

d. Homeownership Program Bonds, Issue 2010-1, were sold on October 13, 2010. The bond maturities are as follows:

BONDS ISSUED (Thousands)			
Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2010-1	1/1/2011-7/1/2025	$120,700	0.350 to 4.500
TOTAL ALL ISSUES		$120,700	

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

November 1, 2010	Homeownership Program	$99,835,000
	Total	$99,835,000

f. Housing Finance Program Bonds, Issue 2010-B, were sold on November 10, 2010. The bond maturities are as follows:

BONDS ISSUED (Thousands)			
Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2010-B	1/1/2011-7/1/2028	$40,000	0.450 to 4.500
TOTAL ALL ISSUES		$40,000	

g. Housing Finance Program Bonds, Issue 2009-B, Subseries B-2, were sold on November 10, 2010. The bond maturities are as follows:

BONDS ISSUED (Thousands)			
Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-2	7/1/2041	$60,000	3.16
TOTAL ALL ISSUES		$60,000	

Note 14. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF INDEPENDENT AUDITOR'S REPORT

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2011	Mortgage Finance Program	$ 2,115,000
	Homeownership Program	$39,815,000
	Housing Finance Program	$ 1,945,000
	Total	$43,875,000

b. Housing Finance Program bonds, Issue 2011-A, were authorized by the Board of directors on January 25, 2011, not to exceed $40,000,000.

c. Housing Finance Program bonds, Issue 2009-B, Subseries B-3, were authorized by the Board of directors on January 25, 2011, not to exceed $60,000,000.

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date*	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	State Employee Group Plan	$ -0-	$ 3,902	$ 3,902	0%	$ 9,595	41%
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%

*One additional year will be reported as data becomes available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS
JUNE 30, 2010
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 3,774	$ 35,134	$ 193,346	$ 37,850	$ 84	$ 270,188
Investments	-	4,475	10,104	-	-	14,579
Receivables:						
Accounts	-	1,497	26,326	640	-	28,463
Interest	125	1,192	11,095	846	-	13,258
First mortgage loans	-	5,941	38,006	4,654	-	48,601
Due from federal government	22,775	-	-	-	-	22,775
Due from other funds	-	1,320	-	-	-	1,320
Total current assets	26,674	49,559	278,877	43,990	84	399,184
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	-	1,004	17,050	216,214	-	234,268
Investments	-	16,662	157,580	7,509	-	181,751
Investment Interest receivable	-	169	1,881	119	-	2,169
Investments	-	12,879	2,764	-	-	15,643
First mortgage loans receivable	261	147,610	1,688,513	230,613	-	2,066,997
Deferred charges	1	437	11,247	1,524	-	13,209
Advance to local government	2,952	-	-	-	-	2,952
Capital assets:						
Furniture and equipment	346	-	-	-	-	346
Less accumulated depreciation	(267)	-	-	-	-	(267)
Total noncurrent assets	3,293	178,761	1,879,035	455,979	-	2,517,068
Total assets	29,967	228,320	2,157,912	499,969	84	2,916,252
LIABILITIES						
Current liabilities:						
Warrants / wires payable	8,297	-	-	-	-	8,297
Accounts payable	6,509	22	78	8	-	6,617
Accrued payroll and related liabilities	443	-	-	-	-	443
Compensated absences	494	-	-	-	-	494
Interest payable	-	2,294	42,842	2,131	-	47,267
Escrow deposits	-	585	-	-	-	585
Prepayments on mortgage loans	-	108	1,529	225	-	1,862
Due to other funds	1,320	-	-	-	-	1,320
Bonds payable	-	10,535	115,165	2,500	-	128,200
Total current liabilities	17,063	13,544	159,614	4,864	-	195,085
Noncurrent liabilities:						
Notes payable	3,672	-	-	-	-	3,672
Bonds payable	-	79,795	1,635,928	472,825	-	2,188,548
Compensated absences	451	-	-	-	-	451
Net OPEB obligation	794	-	-	-	-	794
Escrow deposits	252	4,141	-	-	-	4,393
Arbitrage rebate payable	-	-	4,270	199	78	4,547
Total noncurrent liabilities	5,169	83,936	1,640,198	473,024	78	2,202,405
Total liabilities	22,232	97,480	1,799,812	477,888	78	2,397,490
NET ASSETS						
Invested in capital assets	79	-	-	-	-	79
Restricted for single family bond programs	-	124,768	358,100	22,081	6	504,955
Restricted for grant programs	202	6,072	-	-	-	6,274
Restricted for Homebuyers Revolving Loan Prograr	3,154	-	-	-	-	3,154
Unrestricted	4,300	-	-	-	-	4,300
Total net assets	$ 7,735	$ 130,840	$ 358,100	$ 22,081	$ 6	$ 518,762

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
OPERATING REVENUES						
Mortgage interest income	$ 2	$ 7,970	$ 107,457	$ 3,143	$ -	$ 118,572
Investment income:						
Interest	144	2,072	10,561	69	-	12,846
Net increase (decrease) in the fair value of investments	-	(115)	1,601	185	-	1,671
Federal grant administration fees	15,136	-	-	-	-	15,136
Fees and other income	2,098	354	-	-	-	2,452
Total operating revenues	17,380	10,281	119,619	3,397	-	150,677
OPERATING EXPENSES						
Salaries and benefits	13,841	-	-	-	-	13,841
Contractual services	3,315	-	-	-	-	3,315
Materials and supplies	321	-	-	-	-	321
Rentals and insurance	90	-	-	-	-	90
Other administrative expenses	502	-	-	-	-	502
Other program expenses	934	2,573	2,884	19	23	6,433
Interest expense	110	4,953	85,940	2,151	-	93,154
Mortgage service fees	-	489	6,697	208	-	7,394
Issuance costs	-	45	656	22	-	723
Depreciation	58	-	-	-	-	58
Total operating expenses	19,171	8,060	96,177	2,400	23	125,831
Operating income (loss)	(1,791)	2,221	23,442	997	(23)	24,846
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	253,712	-	-	-	-	253,712
Other grant revenue	-	705	-	-	-	705
Federal grants expenses	(253,618)	13	-	-	-	(253,605)
Local grants expenses	(2,352)	(6,320)	(8,197)	-	-	(16,869)
Total nonoperating revenues (expenses)	(2,258)	(5,602)	(8,197)	-	-	(16,057)
Income (loss) before transfers	(4,049)	(3,381)	15,245	997	(23)	8,789
Transfers (to) other funds	-	(7,101)	(17,606)	-	-	(24,707)
Transfers from other funds	3,611	-	-	21,084	12	24,707
Change in net assets	(438)	(10,482)	(2,361)	22,081	(11)	8,789
Total net assets, July 1	8,173	141,322	360,461	-	17	509,973
Total net assets, June 30	$ 7,735	$ 130,840	$ 358,100	$ 22,081	$ 6	$ 518,762

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Cash flows from operating activities:						
Receipts from customers	$ (47)	$ 25,062	$ 336,878	$ 2,790	$ -	$ 364,683
Receipts from federal government	15,117	-	-	-	-	15,117
Receipts from other funds	9,297	-	-	-	-	9,297
Other miscellaneous receipts	2,221	354	-	-	-	2,575
Acquisition of mortgage loans	-	(9,188)	(124,625)	(236,175)	-	(369,988)
Payments to service mortgages	-	(489)	(6,697)	(208)	-	(7,394)
Payments to suppliers	(5,073)	(2,518)	(3,929)	(11)	(12)	(11,543)
Payments to federal government	-	-	(71)	199	-	128
Payments to other funds	-	(1,320)	(7,977)	-	-	(9,297)
Payments to employees	(13,422)	-	-	-	-	(13,422)
Net cash provided (used) by operating activities	8,093	11,901	193,579	(233,405)	(12)	(19,844)
Cash flows from non-capital financing activities:						
Operating grants received	244,453	705	-	-	-	245,158
Transfers in (out)	3,611	(7,101)	(17,490)	20,968	12	-
Negative cash balance implicitly financed (repaid)	(4,153)	-	-	-	-	(4,153)
Proceeds from sale of bonds	-	-	75,531	475,442	-	550,973
Proceeds from issuance of notes	500	-	-	-	-	500
Operating grants paid	(251,713)	(6,307)	(8,197)	-	-	(266,217)
Cost of issuance paid	-	-	(691)	(1,546)	-	(2,237)
Principal payments	(78)	(14,805)	(188,720)	-	-	(203,603)
Interest paid	(110)	(5,134)	(88,510)	(21)	-	(93,775)
Net cash provided (used) by non-capital financing activities	(7,490)	(32,642)	(228,077)	494,843	12	226,646
Cash flows from capital and related financing activities:						
Purchases of capital assets	(108)	-	-	-	-	(108)
Net cash used by capital and related financing activities	(108)	-	-	-	-	(108)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	121,041	338,391	375	-	459,807
Purchases of investments	-	(84,697)	(226,508)	(7,897)	-	(319,102)
Investment interest received	19	2,239	11,230	69	-	13,557
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	1	11	79	-	91
Net cash provided (used) by investing activities	19	38,584	123,124	(7,374)	-	154,353
Net increase in cash and cash equivalents	514	17,843	88,626	254,064	-	361,047
Cash and cash equivalents, July 1	3,260	18,295	121,770	-	84	143,409
Cash and cash equivalents, June 30	$ 3,774	$ 36,138	$ 210,396	$ 254,064	$ 84	$ 504,456

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2010
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (1,791)	$ 2,221	$ 23,442	$ 997	$ (23)	$ 24,846
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	58	45	656	22	-	781
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	486	(7,352)	(640)	-	(7,506)
(Increase) decrease in mortgage interest receivable	-	55	522	(846)	-	(269)
(Increase) decrease in first mortgage loans receivable	(60)	7,322	111,792	(235,267)	-	(116,213)
(Increase) in due from federal government	(19)	-	-	-	-	(19)
(Increase) decrease in deferred charges	24	43	(2,304)	-	-	(2,237)
Decrease in other receivables	123	-	-	-	-	123
Decrease in interfund receivables	9,297	-	-	-	-	9,297
(Decrease) in interfund payables	-	(1,320)	(7,977)	-	-	(9,297)
Increase (decrease) in accounts payable	379	90	(169)	233	-	533
Increase in accrued payroll / compensated absences	116	-	-	-	-	116
(Decrease) in deferred revenue	-	(37)	-	-	-	(37)
Increase in arbitrage rebate liability	-	-	1,191	199	11	1,401
Investment income included as operating revenue	(144)	(1,957)	(12,162)	(254)	-	(14,517)
Interest expense included as operating expense	110	4,953	85,940	2,151	-	93,154
Total adjustments	9,884	9,680	170,137	(234,402)	11	(44,690)
Net cash provided (used) by operating activities	$ 8,093	$ 11,901	$ 193,579	$ (233,405)	$ (12)	$ (19,844)
Noncash investing, capital, and financing activities:						
Increase in fair value of investments	-	498	3,170	121	-	3,789
Total noncash investing, capital, and financing activities	$ -	$ 498	$ 3,170	$ 121	$ -	$ 3,789

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
JUNE 30, 2010
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 17,383	$ 15,920	$ 33,303	$ 1,831	$ 35,134
Investments	2,409	1,611	4,020	455	4,475
Receivables:					
Accounts	1,408	84	1,492	5	1,497
Interest	974	206	1,180	12	1,192
First mortgage loans	5,057	884	5,941	-	5,941
Due from other funds	-	1,320	1,320	-	1,320
Total current assets	27,231	20,025	47,256	2,303	49,559
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	1,004	-	1,004	-	1,004
Investments	16,662	-	16,662	-	16,662
Investment interest receivable	169	-	169	-	169
Investments	1,999	10,024	12,023	856	12,879
First mortgage loans receivable	144,233	3,377	147,610	-	147,610
Deferred charges	437	-	437	-	437
Total noncurrent assets	164,504	13,401	177,905	856	178,761
Total assets	191,735	33,426	225,161	3,159	228,320
LIABILITIES					
Current liabilities:					
Accounts payable	4	18	22	-	22
Interest payable	2,294	-	2,294	-	2,294
Escrow deposits	-	-	-	585	585
Prepayments on mortgage loans	105	3	108	-	108
Bonds payable	10,535	-	10,535	-	10,535
Total current liabilities	12,938	21	12,959	585	13,544
Noncurrent liabilities:					
Bonds payable	79,795	-	79,795	-	79,795
Escrow deposits	-	1,787	1,787	2,354	4,141
Total noncurrent liabilities	79,795	1,787	81,582	2,354	83,936
Total liabilities	92,733	1,808	94,541	2,939	97,480
NET ASSETS					
Restricted for single family bond programs	99,002	25,546	124,548	220	124,768
Restricted for grant programs	-	6,072	6,072	-	6,072
Total net assets	$ 99,002	$ 31,618	$ 130,620	$ 220	$ 130,840

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank, Magna Bank and First Horizon Bank (recently purchased by Met Life) (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 80% of THDA's entire portfolio of mortgage loans. Magna Bank and Met Life, through a sub-servicing agreement with U.S. Bank, service the remainder. THDA itself is also permitted to service Program Loans although it has not done so to date. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the

event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The General Housing Finance Resolution, as amended (the "General Resolution"), contains various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from THDA or the Trustee.

Definitions (Section 1.2)

"Bond" means one of the bonds authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds issued pursuant to Article II.

Bond Reserve Fund" means the Bond Reserve Fund established pursuant to Section 5.1.

"Bond Reserve Fund Requirement" means, as of any date of calculation the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"Fund" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but not limited to:

- All direct or fully guaranteed United States Treasury;
- Certificates of beneficial ownership issued by the Farmers Home Administration;
- Participation certificates issued by General Services Administration;
- U.S. Maritime Administration guaranteed Title XI financing;
- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;
- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);
- Local authority bonds of the United States Department of Housing and Urban Development;

- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and
- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)
- Consolidated system-wide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)
- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)
- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);
- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC) - backed issues issued by Student Loan Marketing Association (SLMA);
- Debt obligations issued by Financing Corp. (FICO);
- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least 'A-1' by S&P and 'P-1' by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least 'AA' by S&P and 'Aa' by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least 'aam' or 'AAm-G' by S&P and 'Aaa' by Moody's;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least 'AA' by S&P and 'Aa' by Moody's or commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's;

(10) Stripped securities

(i) U.S. Treasury STRIPS

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least 'AA' by S&P and 'Aa' by Moody's; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody's.

"Issuance Amount" shall mean the price, exclusive of accrued interest (if any) which is payable on a semiannual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, THDA Costs of Issuance, or similar costs.

"Loan Fund" means the Loan Fund established in Section 5.1.

"Non-Mortgage Receipts" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Resolution, but shall not include Revenues.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"Program" means the program for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"Program Expenses" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans, payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"Program Loan Loss Coverage" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"Projected Cash Flow Statement" means a certificate of an Authorized Officer of THDA setting forth for the current and each succeeding fiscal year in which Bonds are scheduled to be outstanding, THDA's estimate of, among other things: (i) the Revenues, other than Prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds; (ii) the aggregate amount of prepayments of Program Loans which THDA reasonably expects to receive with respect to such Program Loans and which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution; (iii) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rates used in

estimating such amounts; (iv) the amount, if any, expected to be withdrawn from the Bond Reserve Fund, provided, the amount on deposit in such Fund is expected to at least equal the Bond Reserve Fund Requirement immediately after such withdrawal and the withdrawal is permitted under the General Resolution; (v) the aggregate Debt Service on Outstanding Bonds during such fiscal year; and (vi) all Program Expenses during such fiscal year.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.1.

"Revenues" means all payments, proceeds, rents, charges, and other cash income received by THDA from or on account of any Program Loan including scheduled, delinquent and advance payments of any insurance proceeds with respect to principal and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicer as compensation for services rendered in connection with the Program Loan and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

Resolution Constitutes Contract (Section 2.2)

The General Resolution constitutes a contract between THDA and the holders of the Bonds and the pledges, covenants and agreements to be performed by THDA are for the equal benefit, protection and security of the holders of any and all of the Bonds..

Obligation of Bonds (Section 2.3)

The Bonds will be special limited obligations of THDA payable only from the revenues and assets pledged therefor. These revenues and assets include the following: mortgage receipts; non-mortgage receipts, including interest earned from the investment of funds in the Escrow Fund or any other Fund or Account; and right, title, and interest in and to the Program Loans.

Provisions for Issuance of Bonds (Sections 2.4, 2.6, 7.3, and 7.15)

The General Resolution authorizes Bonds to be issued from time to time in accordance with its terms without limitation as to amount except as provided by law. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(1) a Bond Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the General Resolution;

(2) the amount of the proceeds of such Series to be deposited with the Trustee pursuant to the General Resolution (see "Application of Bond Proceeds" below):

(3) except in the case of the initial or a refunding issue, a certificate of an authorized officer stating that THDA is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution and that all other conditions for the issuance of additional Bonds have been met; and

(4) except in the case of a refunding issue, a Projected Cash Flow Statement, as described in Appendix D, showing that the estimated Revenues for each fiscal year in which Bonds will be outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to the Resolution), will be sufficient for the payment of the estimated debt service and program expenses for such fiscal year.

Provisions for Refunding Issues (Section 2.7)

Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption of all Bonds to be refunded and to give published notice as required of the redemption of such Bonds and either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or certificates of deposit secured by such obligations, which by their terms will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in the Redemption Account established under the General Resolution.

Application of Bond Proceeds (Sections 4.1 and 4.3)

As soon as practicable upon the delivery of each Series of Bonds, other than refunding Bonds, an amount necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately after such delivery is required to be deposited in the Bond Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in such Fund are to be deposited at the direction of an Authorized Officer.

Amounts in the Loan Fund may not be expended and applied for the financing of a Program Loan unless the note issued to evidence the Program Loan and a mortgage securing the Program Loan have been duly executed and, among other things:

(1) the mortgage securing such Program Loan constitutes a first lien, subject only to Permitted Encumbrances, on the real property or interest therein securing such Program Loan and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

(2) the eligible borrower has entered into a binding agreement with or for the benefit of THDA that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens levied against the premises or any part thereof, and in the case of default in the payment thereof THDA, without notice or demand to the mortgagor, may pay the same and the amount will be a lien on the premises added to the amount of the Program Loan;

(3) the eligible borrower must covenant that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of obtaining the residential housing financed by the Program Loan;

(4) the eligible borrower must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA and that it will maintain the premises in good repair and comply with all requirements of governmental authorities relating thereto; and

(5) the eligible borrower must obtain a policy of title insurance insuring THDA that the mortgage is valid and enforceable in the full amount of the Program Loan.

(6) the Program Loan must be (i) insured by the Federal Housing Administration, (ii) guaranteed by the Rural Economic Community Development Corp. (formerly Farmers Home Administration) or the Veteran's Administration, (iii) insured or guaranteed by a successor federal or state agency, (iv) have a principal amount not exceeding 78% of the value of the property securing such Program Loan as determined in an appraisal by or acceptable to THDA, or (v) be insured to the extent of any excess over such percentage by a private mortgage insurance company acceptable to THDA and meeting the requirements of the Resolution.

Deposits and Investments (Sections 4.5, 4.6 and 4.7)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be deposited in interest-bearing time deposits, repurchase agreements or certificates of deposit or be the subject of similar banking arrangements with commercial banks, savings and loans or investment dealers and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of THDA and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement at the time of initial funding from Bond proceeds, the issuance of additional obligations and for any other purpose under the General Resolution, such obligations shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made as soon as practicable prior to each interest payment date and at any other time required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

Establishment of Funds and Accounts (Section 5.1)

The General Resolution establishes the following special trust funds and accounts which are to be held by the Trustee:

(1) Loan Fund;

(2) Revenue Fund,

Debt Service and Expense Account,
Non-Mortgage Receipts Account, and
Redemption Account;

(3) Bond Reserve Fund; and

(4) Escrow Fund.

Loan Fund (Section 5.2)

In addition to proceeds of a Series of Bonds, amounts are required to be deposited in the Loan Fund from the Revenue Fund under certain circumstances as more fully described below (see “Revenue Fund”). Amounts in the Loan Fund may be expended only to pay the cost of financing Program Loans, to pay reasonable and necessary Costs of Issuance, and to make deposits in the Debt Service and Expense Account with respect to capitalized interest. Amounts in the Loan Fund may, however, be transferred to the Revenue Fund if a Projected Cash Flow Statement is delivered to the Trustee. At the direction of THDA, the Trustee may transfer amounts in the Loan Fund to the Redemption Account or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds are subject to redemption or payment from such amounts, but only if there is delivered to the Trustee a Projected Cash Flow Statement and a certificate of an Authorized Officer stating that, in the judgment of THDA, the estimated Revenues available after the payment of estimated Debt Service on the Bonds and Program expenses are greater than they would have been if all or a portion of such amounts had been applied to the financing of Program Loans.

Revenue Fund (Section 5.3)

The General Resolution establishes the following trust accounts within the Revenue Fund: the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account.

Debt Service and Expense Account. All Revenues are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Debt Service and Expense Account within the Revenue Fund. The Trustee is required to make payments out of the Debt Service and Expense Account to the Paying Agents as follows: (a) on or before each interest payment date, the amounts required for the payment of principal installments, if any, and interest due on the Bonds on such date and (b) on or before the Redemption Date or date of

purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless such interest is otherwise provided for.

Prior to the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee may, and if so directed by THDA is required to, apply any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) as follows: (a) to the purchase of the Bonds for which such Sinking Fund Payment was established, at prices not exceeding the Redemption Price for such Bonds if they are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, or (b) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (a) hereof. Upon such purchase or redemption of any Bond, an amount equal to the principal amount of the Bond so purchased or redeemed will be credited to the Sinking Fund Payment next coming due. The excess of the amounts so credited over the amount of such Sinking Fund Payment will be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise directed by THDA.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and Maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Within ninety days after the close of each Fiscal Year, THDA is required to file with the Trustee a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amount to the Loan Fund as provided in clause (b) of this sentence) which states (a) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments made on each interest payment date as described above and (b) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Upon receipt thereof, the Trustee is required to transfer from the Debt Service and Expense Account an amount equal to the amount stated in clause (a) above as follows:

> FIRST: From the amount so available the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.
>
> SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.
>
> THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred and if such Projected Cash Flow Statement does not comply with subsection 7.11(C) the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).
>
> FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with THDA's tax covenants described below, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this provision shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph,

there shall be excluded from the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Bond Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

The Trustee may at any time, upon the written direction of an Authorized Officer (a) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund or the Redemption Account for the purposes of such Fund or Account or (b) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer is to be made, however, unless there is on deposit in the Debt Service and Expense Account and the Non-Mortgage Receipts Account after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment, plus an amount equal to the cumulative amount of prepayments received by THDA during such fiscal year which exceeds the amount of prepayments estimated to be applied to the payment of Debt Service during such fiscal year in the most recent Projected Cash Flow Statement delivered to the Trustee by THDA. In addition no such transfers shall be made until a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses is to be made unless the revenue statement to be delivered to the Trustee for each preceding month as described below shows that accrued Revenues exceed accrued Debt Service.

No payments are required to be made into the Debt Service and Expense Account so long as the amount on deposit therein is sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any purpose of THDA free and clear of the lien of the pledge of the General Resolution.

Redemption Account. There are to be deposited in the Redemption Account any amounts required by the General Resolution to be so deposited and any other amounts available therefor and determined by THDA to be deposited therein. The Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date as described under “Redemption of Bonds.”

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds to be so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless otherwise directed by THDA.

Non-Mortgage Receipts Account. All Non-Mortgage Receipts received by the Trustee are to be promptly deposited in the Non-Mortgage Receipts Account. The Trustee is required to maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund, the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund. If so directed by THDA, the Trustee must maintain such records separately for each Series of Bonds.

Semi-annually not later than each Interest Payment Date, the Trustee is required to transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of such transfers, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

Any amount remaining in the Non-Mortgage Receipts Account after the semi-annual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account or the Escrow Fund.

Bond Reserve Fund (Section 5.4)

If on any Interest Payment Date or Redemption Date, the amounts on deposit in the Revenue Fund and the Redemption Fund are less than the amount required for the payments due on the Bonds on such date, the Trustee is to apply amounts from the Bond Reserve Fund to the extent required to make good the deficiency.

If concurrently with the allocation from the Revenue Fund, the amount on deposit in the Bond Reserve Fund is in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed, transfer the amount of such excess to the Redemption Account.

Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Revenue Fund are to be transferred to the Bond Reserve Fund. Prior to such transfer, all investments held in the Revenue Fund are to be liquidated and any Bonds constituting a part of such Fund will be deemed paid and canceled.

Escrow Fund (Section 5.5)

There shall be deposited in the Escrow Fund, all amounts required by the Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein.

Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with the Resolution.

Redemption of Bonds (Sections 3.7, 5.3, 6.4 and 6.5)

Bonds may be redeemed from amounts on deposit in the Loan Fund or the Revenue Fund or from other amounts made available by THDA for such purpose. Amounts deposited in the Redemption Account within the Loan Fund must be applied to the redemption of Bonds at the earliest possible time, subject to their terms and the terms of their respective authorizing resolutions. If THDA directs the publication of a notice of redemption from amounts other than amounts in the Redemption Account, THDA is responsible to provide funds for such redemption to the appropriate Paying Agents prior to the date of redemption.

Amounts on deposit in the Revenue Account which are to be applied to the redemption of Bonds may, until the forty-fifth day prior to the date for redemption of such Bonds, be applied to the purchase of such Bonds at prices not exceeding the applicable redemption price, plus accrued interest, unless such Bonds are to be redeemed more than thirteen months from the date of purchase, in which event the purchase price may not exceed par. Any difference between the maximum price payable for such Bonds and the price actually paid is to be deposited in the Debt Service and Expense Account.

The selection of Bonds to be redeemed from the amounts to be applied to the redemption of Bonds of such particular Series and maturity is to be made by the Trustee by lot. For such purpose registered bonds of a denomination greater than $5,000 are to be assigned separate numbers for each $5,000 portion. In the event that the Trustee is required to redeem Appreciation Bonds by lot, the Trustee will assign a separate number to each Appreciation Bond on the basis of its Maturity Amount. The Trustee shall mail, postage prepaid, a copy of the notice of redemption not less than 20 days (or such shorter period as may be acceptable to the provider of a central depository system) prior to the date of redemption to the registered owners of all registered Bonds subject to redemption at the last address of such registered owners appearing on the registry books in respect of the Bonds. Publication of notice of redemption is not required if all Bonds to be redeemed are registered bonds. THDA is not obliged to exchange or transfer Bonds within ten days preceding the giving of notice of redemption and is not obliged to exchange or transfer any Bonds which have previously been called for redemption.

Power as to Bonds and Pledge (Section 7.3)

THDA covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the assets and revenues purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment of Bonds (Section 7.4)

THDA covenants that it will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Tax Covenants (Section 7.9)

THDA covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of THDA to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in the applicable federal tax law and (ii) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by the applicable federal tax law by reason of the classification of such Bond as a “mortgage subsidy bond” pursuant to the applicable federal tax law or as an “industrial development bond” within the meaning of the applicable federal tax law, except in the case of Bonds held by a “substantial user” or “related person” within the meaning of Section 147(c) of the Code.

Accounts and Reports (Section 7.10)

THDA covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Housing Finance Program and all Funds established by the General Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA is required to submit to the Trustee a statement of account for the preceding month setting forth the amount received as Revenues during such month and stating the cumulative amount of Revenues (including individual totals for prepayments and monthly Program Loan receipts) and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

THDA must annually, within ninety days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of THDA for such fiscal year setting forth in reasonable detail: (a) a balance sheet for THDA and its programs showing the assets and liabilities of the Housing Finance Program at the end of such fiscal year, and (b) a statement of revenues and expenses in accordance with the categories or classifications established by THDA so long as such financial statements for the Housing Finance Program are separately identified and are consistent with the requirements of the General Resolution and satisfactory to the Trustee. The financial statements shall be accompanied by the certificate of an independent accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each annual Projected Cash Flow Statement and annual report or special report and any accountant’s certificate shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Budgets (Section 7.12)

THDA must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of THDA as required under the Act. The annual budget shall at least set forth for such fiscal year the estimated revenues, principal installments and interest due and payable or estimated to become due and payable during such fiscal year and

estimated expenses of the Housing Finance Program. THDA at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

The Program (Section 7.13)

THDA covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Housing Finance Program) to finance Program Loans, to do all acts and things necessary to receive and collect Revenues sufficient to pay the expenses of the Program and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans.

Whenever necessary in order to protect and enforce the interest and security of the holders of the Bonds, THDA covenants to commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such premises.

THDA may sell, assign or otherwise dispose of a Program Loan or the premises to which such Program Loan is related:

(1) in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to provide funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Loan; or

(3) if a Projected Cash Flow Statement has been filed with the Trustee giving effect to the proposed sale thereof.

Upon the happening of an Event of Default resulting from nonpayment of the Bonds and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA is required to deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee.

Powers of Amendment (Section 9.2)

Except with respect to certain modifications or amendments that do not require consent of bondholders as described in the General Resolution, any modification or amendment of any provision of the General Resolution or of the rights and obligations of THDA and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the General Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default (Sections 10.1 and 10.10)

It is an "event of default" if: (a) THDA shall default in the payment of the principal or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or (c) THDA fails or refuses to comply with the provisions of the General Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

The Trustee must give the Bondholders notice of each event of default known to the Trustee within ninety days, unless such event of default has been remedied or cured, except that, in the case of default in the payment of the principal of or Redemption Price or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee may withhold such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice is to be given by mail: (i) to all registered holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to such holders of Bonds as have filed their names and addresses with the Trustee for that purpose, and (iii) to such other persons as is required by law.

Remedies (Sections 10.2 and 10.3)

Upon the happening and continuance of any event of default specified in clause (a) and (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to an acceleration) shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

Except upon the occurrence and during the continuance of an Event of Default under the Resolution, THDA reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder will be deemed to be an indispensable party for such purposes.

In the event that during the continuance of an event of default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the General Resolution, are to be applied as follows:

(1) Unless the principal of all of the Bonds has become or been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount

available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bond without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Bondholders' Direction of Remedial Proceedings (Section 10.5)

The holders of a majority in principal amount of the Bonds then Outstanding retain the right, upon a written instruction, to direct the method used by the Trustee in conducting all remedial proceedings, but only if such direction is in accordance with the law and the provisions of the Resolution, and is not unjustly, prejudicial, in the Trustee's opinion, to the remaining Bondholders.

Limitation on Rights of Bondholders (Section 10.6)

No individual Bondholder may initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the same.

Compensation of Trustee and Paying Agents (Section 11.5)

THDA is required to pay reasonable compensation to the Trustee and to each Paying Agent for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the General Resolution.

Removal of Trustee (Sections 11.8 and 11.9)

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an event of default, for such cause as THDA may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance (Section 12.1)

If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution,

then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, THDA has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds, (b) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge.

APPENDIX E

OTHER THDA FINANCINGS

General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,390,670,000 total original principal amount of bonds under the 1985 General Resolution as of January 31, 2011, of which $1,561,570,000 (unaudited) were outstanding as of January 31, 2011, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of January 31, 2011 (unaudited)	Original Net Interest Cost[(1)]
2001-1	May 1, 2001	135,390,000	$57,570,000	5.25
2001-2	August 1, 2001	60,000,000	18,525,000	5.08
2001-3	December 1, 2001	64,580,000	16,785,000	5.21
2002-1	April 18, 2002	85,000,000	25,800,000	5.14
2002-2	July 31, 2002	85,000,000	29,280,000	5.03
2003-1	February 27, 2003	50,000,000	20,415,000	4.64
2003-2	July 31, 2003	60,000,000	29,145,000	3.90
2003-3	November 5, 2003	75,000,000	33,800,000	4.30
2004-1	March 4, 2004	80,000,000	40,730,000	4.40
2004-2	July 15, 2004	100,000,000	53,850,000	4.86
2004-3	January 13, 2005	100,000,000	56,675,000	4.41
2005-1	July 28, 2005	100,000,000	65,500,000	4.33
2005-2	November 17, 2005	100,000,000	65,610,000	4.61
2006-1	April 27, 2006	100,000,000	70,190,000	4.66
2006-2	July 27, 2006	100,000,000	66,085,000	4.85
2006-3	October 31, 2006	100,000,000	73,300,000	4.58
2007-1	March 13, 2007	100,000,000	78,210,000	4.49
2007-2	June 6, 2007	120,000,000	96,925,000	4.53
2007-3	August 7, 2007	150,000,000	117,670,000	4.77
2007-4	October 30, 2007	150,000,000	122,005,000	4.79
2008-1	May 29, 2008	60,000,000	49,180,000	4.93
2008-2	August 7, 2008	50,000,000	39,315,000	5.28
2008-3	September 30, 2008	90,000,000	71,480,000	5.00
2008-4	December 18, 2008	30,000,000	24,860,000	5.56
2009-1	June 11, 2009	50,000,000	47,695,000	4.39
2009-2	September 30, 2009	75,000,000	71,135,000	4.06
2010-1	October 13, 2010	120,700,000	119,835,000	3.57
TOTAL		$2,390,670,000	$1,561,570,000	

(1) Bond yield.

Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $191,885,000 under the 1974 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	**Dated**	**Issued**	**Outstanding as of January 31, 2011 (unaudited)**	**Mortgage Rates**	**Net Interest Cost**
2003 Series A	September 4, 2003	$191,885,000	$78,665,000	7.05/7.75	4.90
TOTAL		$191,885,000	$78,665,000		

Single Family Program Bond Resolution (the "1981 Resolution")

On February 2, 1994, THDA issued and sold Homeownership Program Bonds, Issue 1994-1 (Taxable) in the aggregate principal amount of $33,500,000 (the "Issue 1994-1 Bonds") the proceeds of which were used to redeem all bonds then outstanding under the 1981 Resolution. All assets under the 1981 Resolution, including mortgages financed with the proceeds of bonds issued under the 1981 Resolution and remaining cash and investments held for the benefit of bondholders under the 1981 Resolution, were transferred out of the 1981 Resolution at the time of the issuance and sale of the Issue 1994-1 Bonds.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the Resolution, the 1985 General Resolution, the 1981 Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the Resolution, the 1985 General Resolution, the 1981 Resolution, the 1974 General Resolution, any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

APPENDIX F

THDA ACQUISITION COST AND INCOME LIMITS
Effective June 17, 2010

Counties		Acquisition Cost Limits	Household Income Limits 1-2 Persons	Household Income Limits 3 + Persons
Anderson	*	$200,160	$59,700	$68,655
Bedford		$200,160	$54,600	$62,790
Benton		$200,160	$54,600	$62,790
Bledsoe	T	$200,160	$54,600	$62,790
Blount		$200,160	$59,700	$68,655
Bradley	*	$200,160	$54,600	$62,790
Campbell	T	$200,160	$54,600	$62,790
Cannon	T	$226,100	$65,200	$74,980
Carroll	T	$200,160	$54,600	$62,790
Carter		$200,160	$54,600	$62,790
Cheatham		$226,100	$65,200	$74,980
Chester	T	$200,160	$54,600	$62,790
Claiborne	T	$200,160	$54,600	$62,790
Clay	T	$200,160	$54,600	$62,790
Cocke	T	$200,160	$54,600	$62,790
Coffee	*	$200,160	$54,600	$62,790
Crockett	T	$200,160	$54,600	$62,790
Cumberland		$200,160	$54,600	$62,790
Davidson	*	$226,100	$65,200	$74,980
Decatur		$200,160	$54,600	$62,790
DeKalb	T	$200,160	$54,600	$62,790
Dickson		$226,100	$65,200	$74,980
Dyer	T	$200,160	$54,600	$62,790
Fayette	T	$200,160	$58,100	$66,815
Fentress	T	$200,160	$54,600	$62,790
Franklin	T	$200,160	$54,600	$62,790
Gibson	T	$200,160	$54,600	$62,790
Giles	T	$200,160	$54,600	$62,790
Grainger	T	$200,160	$54,600	$62,790
Greene	T	$200,160	$54,600	$62,790
Grundy	T	$200,160	$54,600	$62,790
Hamblen	*	$200,160	$54,600	$62,790
Hamilton	*	$200,160	$56,100	$64,515
Hancock	T	$200,160	$54,600	$62,790
Hardeman	T	$200,160	$54,600	$62,790
Hardin	T	$200,160	$54,600	$62,790
Hawkins	T	$200,160	$54,600	$62,790
Haywood	T	$200,160	$54,600	$62,790
Henderson	T	$200,160	$54,600	$62,790
Henry		$200,160	$54,600	$62,790
Hickman	T	$226,100	$54,600	$62,790
Houston	T	$200,160	$54,600	$62,790
Humphreys		$200,160	$54,600	$62,790
Jackson	T	$200,160	$54,600	$62,790
Jefferson	T	$200,160	$54,600	$62,790
Johnson	T	$200,160	$54,600	$62,790
Knox	*	$200,160	$59,700	$68,655
Lake	T	$200,160	$54,600	$62,790
Lauderdale	T	$200,160	$54,600	$62,790
Lawrence	T	$200,160	$54,600	$62,790
Lewis		$200,160	$54,600	$62,790
Lincoln	T	$200,160	$54,600	$62,790
Loudon	T	$200,160	$59,700	$68,655
McMinn		$200,160	$54,600	$62,790
McNairy	T	$200,160	$54,600	$62,790
Macon	T	$226,100	$54,600	$62,790
Madison	T	$200,160	$54,600	$62,790
Marion	T	$200,160	$56,100	$64,515
Marshall		$200,160	$57,400	$66,010
Maury	T	$200,160	$61,600	$70,840
Meigs	T	$200,160	$54,600	$62,790
Monroe	T	$200,160	$54,600	$62,790
Montgomery		$200,160	$54,600	$62,790
Moore		$200,160	$54,600	$62,790
Morgan	T	$200,160	$54,600	$62,790
Obion	T	$200,160	$54,600	$62,790
Overton	T	$200,160	$54,600	$62,790
Perry		$200,160	$54,600	$62,790
Pickett	T	$200,160	$54,600	$62,790
Polk	T	$200,160	$54,600	$62,790
Putnam		$200,160	$54,600	$62,790
Rhea	T	$200,160	$54,600	$62,790
Roane		$200,160	$54,600	$62,790
Robertson		$226,100	$65,200	$74,980
Rutherford		$226,100	$65,200	$74,980
Scott	T	$200,160	$54,600	$62,790
Sequatchie	T	$200,160	$56,100	$64,515
Sevier		$200,160	$54,600	$62,790
Shelby		$200,160	$58,100	$66,815
Smith		$226,100	$54,600	$62,790
Stewart	T	$200,160	$54,600	$62,790
Sullivan		$200,160	$54,600	$62,790
Sumner		$226,100	$65,200	$74,980
Tipton	T	$200,160	$58,100	$66,815
Trousdale	T	$226,100	$65,200	$74,980
Unicoi	T	$200,160	$54,600	$62,790
Union	T	$200,160	$59,700	$68,655
Van Buren	T	$200,160	$54,600	$62,790
Warren		$200,160	$54,600	$62,790
Washington	*	$200,160	$54,600	$62,790
Wayne	T	$200,160	$54,600	$62,790
Weakley		$200,160	$54,600	$62,790
White	T	$200,160	$54,600	$62,790
Williamson		$226,100	$65,200	$74,980
Wilson		$226,100	$65,200	$74,980

T Denotes a targeted county. The first–time homebuyer requirement is waived.

* Denotes that some census tracts in the county are targeted, and in these census tracts, the first–time homebuyer requirement is waived.

APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

PROGRAM LOAN PROCEDURES

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted. The most recent household income limit adjustments were effective June 17, 2010. THDA's income limits range from $54,600 to $74,980 depending on household size and geographic location. See Appendix F for more information about income limits. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. The most recent acquisition cost limits were effective as of June 17, 2010. THDA's maximum acquisition cost limitations vary from $200,160 to $226,100, depending on geographic location. See Appendix F for more information about acquisition cost limits.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, not to exceed 1% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and savings and loan associations. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions located in Tennessee or in the eight contiguous states to service Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms, commercial banks or savings and loan associations. THDA may also service Program Loans although it has elected only to service multi-family loans made under the 1974 General Resolution to date. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval.

THDA requires monthly reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data.

THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Mortgage Administration and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

April 14, 2011

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Housing Finance Program Bonds

$40,000,000 Issue 2011-A (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $40,000,000 in aggregate principal amount of Housing Finance Program Bonds, Issue 2011-A (Non-AMT) (the "Issue 2011-A Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2011-A Bonds were authorized to be issued pursuant to the Act, the General Housing Finance Resolution of THDA, adopted November 19, 2009, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on January 25, 2011, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on March 24, 2011 (together, the "Supplemental Resolution" and, together with the General Resolution, the "Resolution").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2011-A Bonds (collectively, the "Housing Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2011-A Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2011-A Bonds are being issued to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2011-A Bonds in order that interest on the Issue 2011-A Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2011-A Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2011-A Bonds are valid and legally binding special obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Housing Finance Program Bonds, including the Issue 2011-A Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2011-A Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2011-A Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing laws as presently enacted and construed and assuming compliance with the covenants concerning federal tax law described above, (i) interest on the Issue 2011-A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) interest on the Issue 2011-A Bonds will not be treated as a preference item to be included in calculating the federal alternative minimum tax imposed on individuals and corporations and will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2011-A Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2011-A Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2011-A Bonds may have to take interest on such Issue 2011-A Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2011-A Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2011-A Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2011-A Bonds.

Very truly yours,

APPENDIX J

April 14, 2011

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Housing Finance Program Bonds

$60,000,000 Issue 2009-B, Subseries B-3

Ladies and Gentlemen:

We have examined a record of proceedings related to the deemed reissuance of a portion of the $60,000,000 in aggregate principal amount of Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2009-B Bonds were authorized to be issued pursuant to the Act, the General Housing Finance Resolution of THDA, adopted November 19, 2009, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on November 19, 2009, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on December 23, 2009 (together, the "2009 Supplemental Resolution").

Proceeds of the Issue 2009-B Bonds have been deposited in the Issue 2009-B Escrow Subaccount of the Loan Fund and are subject to release therefrom upon satisfaction of the conditions for such release set forth in the 2009 Supplemental Resolution. Pursuant to the General Resolution, the 2009 Supplemental Resolution and a Resolution adopted by THDA on January 25, 2011, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on March 24, 2011 (together, the "2011 Supplemental Resolution," and, together with the General Resolution and the 2009 Supplemental Resolution, the "Resolution"), THDA has elected to release $60,000,000 of proceeds of the Issue 2009-B Bonds from the Issue 2009-B Escrow Subaccount of the Loan Fund. Upon such release and in accordance with the Resolution, a corresponding amount of the Issue 2009-B Bonds will be redesignated as the Housing Finance Program Bonds, Issue 2009-B, Subseries B-3 (Non-AMT) (the "Subseries B-3 Bonds").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Subseries B-3 Bonds (collectively, the "Housing Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Subseries B-3 Bonds mature in the year, bear interest at the rates and are otherwise as described in the 2009 Supplemental Resolution and the 2010 Supplemental Resolution. Proceeds of the Issue 2009-B Bonds are being released to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Subseries B-3 Bonds in order that interest on the Subseries B-3 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the reissuance and redesignation of the Subseries B-3 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Subseries B-3 Bonds are valid and legally binding special obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Housing Finance Program Bonds, including the Subseries B-3 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with funds allocable to the Subseries B-3 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Subseries B-3 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing laws as presently enacted and construed and assuming compliance with the covenants concerning federal tax law described above, interest on the Subseries B-3 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) will not be treated as a preference item to be included in calculating the federal alternative minimum tax imposed on individuals and corporations and (iii) will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Subseries B-3 Bonds is exempt from the income tax imposed by the State on interest income; however, the Subseries B-3 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Subseries B-3 Bonds may have to take interest on such Subseries B-3 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Subseries B-3 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Subseries B-3 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Subseries B-3 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES

Delinquencies and Foreclosures as of December 31, 2010

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.81%, based on a total of 3,541 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	57	$5,029,428	1.74%	2.50%[4]
VA Guaranteed	2	141,261	4.17	1.49
Privately Insured	1	56,861	5.00	0.91[5]
USDA/RD Guaranteed	4	229,649	2.96	[6]
Uninsured	0	0	0.00	[6]
TOTAL	64	$5,457,200[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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*Delinquency and foreclosure information as of January 31, 2011, can be found in this Official Statement under **"HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data** – *Delinquencies and Foreclosures as of January 31, 2011"*.

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 2.15%, based on a total of 3,541 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	68	$5,653,554	2.07%	5.21%[4]
VA Guaranteed	2	104,153	4.17	2.83
Privately Insured	2	96,746	10.00	1.77[5]
USDA/RD Guaranteed	3	211,525	1.82	[6]
Uninsured	1	76,392	2.22	[6]
TOTAL	76	$6,142,369[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of December 31, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.57%, based on a total of 3,541 Program Loans as of December 31, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2010, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	19	$1,660,210	0.58%	2.24%[4]
VA Guaranteed	0	0	0.00	1.88
Privately Insured	0	0	0.00	1.65[5]
USDA/RD Guaranteed	1	47,831	0.74	[6]
Uninsured	0	0	0.00	[6]
TOTAL	20	$1,708,041[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2010

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.38%, based on a total of 3,109 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	39	$3,399,746	1.36%	2.48%(4)
VA Guaranteed	0	0	0.00	1.54
Privately Insured	1	64,629	5.00	0.98(5)
USDA/RD Guaranteed	1	43,704	0.78	(6)
Uninsured	2	112,386	3.85	(6)
TOTAL	43	$3,620,465(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 1.61%, based on a total of 3,109 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	44	$3,216,671	1.54%	5.07%(4)
VA Guaranteed	0	0	0.00	3.06
Privately Insured	2	97,405	10.00	1.97(5)
USDA/RD Guaranteed	4	223,584	3.13	(6)
Uninsured	0	0	0.00	(6)
TOTAL	50	$3,537,659(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.23%, based on a total of 3,109 Program Loans as of September 30, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2010, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	6	$432,994	0.21%	1.91%(4)
VA Guaranteed	1	40,660	2.27	1.47
Privately Insured	0	0	0.00	1.33(5)
USDA/RD Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	7	$473,653(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these

Delinquencies and Foreclosures as of June 30, 2010

As of June 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.08%, based on a total of 2,493 Program Loans as of June 30, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2010

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	23	$1,650,307	1.02%	2.33%(4)
VA Guaranteed	1	64,016	2.70	1.52
Privately Insured	0	0	0.00	0.91(5)
USDA/RD Guaranteed	3	178,655	2.34	(6)
Uninsured	0	0	0.00	(6)
TOTAL	27	$1,892,979(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of June 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 1.49%, based on a total of 2,493 Program Loans as of June 30, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	28	$1,749,236	1.24%	4.54%[4]
VA Guaranteed	1	40,660	2.70	2.74
Privately Insured	2	121,833	10.00	2.05[5]
USDA/RD Guaranteed	6	351,270	4.69	[6]
Uninsured	0	0	0.00	[6]
TOTAL	37	$2,262,999[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of June 30, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.16%, based on a total of 2,493 Program Loans as of June 30, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2010, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	2	$102,865	0.09%	2.06%[4]
VA Guaranteed	1	70,241	2.70	1.64
Privately Insured	0	0	0.00	1.34[5]
USDA/RD Guaranteed	1	78,436	0.78	[6]
Uninsured	0	0	0.00	[6]
TOTAL	4	$251,542[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2010

As of March 31, 2010 (unaudited), the overall delinquency rate for HDA Program Loans (including Transferred Loans) held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 0.42%, based on a total of 957 Program Loans as of March 31, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (2)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	4	$424,692	0.44%	2.02%(4)
VA Guaranteed	0	0	0.00	1.34
Privately Insured	0	0	0.00	0.79(5)
USDA/RD Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	4	$424,692(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of March 31, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) held under the General Resolution that were ninety (90) days past due was 0.44%, based on a total of 957 Program Loans as of March 31, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (2)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	4	$418,712	0.44%	4.97%(4)
VA Guaranteed	0	0	0.00	2.83
Privately Insured	0	0	0.00	2.30(5)
USDA/RD Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	4	$418,712(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of March 31, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) held under the General Resolution in foreclosure was 0.00%, based on a total of 957 Program Loans as of March 31, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2010, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	0	$0	0.00%	2.47%[4]
VA Guaranteed	0	0	0.00	1.82
Privately Insured	0	0	0.00	1.37[5]
USDA/RD Guaranteed	0	0	0.00	[6]
Uninsured	0	0	0.00	[6]
TOTAL	0	$0[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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Tennessee Housing
Development Agency

Leading Tennessee Home

NEW ISSUE AND CONVERSION ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, (i) interest on the Issue 2011-B Bonds (the "Issue 2011-B Bonds") and the Issue 2009-B, Subseries B-4 Bonds (the "Subseries B-4 Bonds" and, collectively with the Issue 2011-B Bonds, the "Series Bonds") is excluded from gross income of the owners thereof for federal income tax purposes and (ii) interest on the Series Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Series Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Series Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY

Housing Finance Program Bonds
$40,000,000 Issue 2011-B (Non-AMT)
$60,000,000 Issue 2009-B, Subseries B-4 (Non-AMT)*

Dated: Issue 2011-B Bonds: Date of Delivery **Due: As shown on inside front cover**
Subseries B-4 Bonds: December 21, 2009
(Interest to accrue from August 25, 2011)

The Issue 2011-B Bonds are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Issue 2011-B Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Issue 2011-B Bonds, payments of the principal of, premium, if any, and interest on the Issue 2011-B Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Issue 2011-B Bonds will not receive physical delivery of bond certificates. See Appendix F "Book-Entry-Only System." The Issue 2011-B Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Issue 2011-B Bonds accrues from the dated date of the Issue 2011-B Bonds and is payable on January 1, 2012, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

Tennessee Housing Development Agency ("THDA") previously issued $300,000,000 aggregate principal amount of Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") and, in connection with the issuance of the Issue 2011-B Bonds expects to convert and re-designate a portion of such bonds as the Housing Finance Program Bonds, Issue 2009-B, Subseries B-4. See "NEW ISSUE BOND PROGRAM." Interest on the Subseries B-4 Bonds accrues from the date of delivery of the Issue 2011-B Bonds and is payable on October 25, 2011, and thereafter on each January 1 and July 1, commencing January 1, 2012.

The Series Bonds are subject to redemption prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for the Series Bonds."

The Series Bonds are special limited obligations of THDA payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on the Bonds.

THDA has no taxing power. The Series Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Series Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Issue 2011-B Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. Certain legal matters in connection with the conversion of the Subseries B-4 Bonds will be passed upon by Kutak Rock LLP. It is expected that the Series Bonds will be available for book-entry delivery through DTC on or about August 25, 2011.

BofA MERRILL LYNCH

RBC CAPITAL MARKETS **MORGAN KEEGAN**

CITIGROUP **RAYMOND JAMES & ASSOCIATES, INC.**

M R BEAL & COMPANY **EDWARD JONES**

August 4, 2011

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*The Subseries B-4 Bonds are not offered hereby as described herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOUSING FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$40,000,000 Issue 2011-B (Non-AMT)

$24,410,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2012				$1,060,000	0.250%	88045RTT9
2013	$1,060,000	0.750%	88045RUE0	1,065,000	1.000	88045RTU6
2014	1,070,000	1.200	88045RUF7	1,075,000	1.350	88045RTV4
2015	1,085,000	1.625	88045RUG5	1,095,000	1.750	88045RTW2
2016	1,100,000	1.950	88045RUH3	1,115,000	2.000	88045RTX0
2017	1,125,000	2.450	88045RUJ9	1,140,000	2.550	88045RTY8
2018	1,155,000	2.950	88045RUK6	1,170,000	3.000	88045RTZ5
2019	1,190,000	3.200	88045RUL4	1,205,000	3.250	88045RUA8
2020	1,225,000	3.500	88045RUM2	1,250,000	3.500	88045RUB6
2021	1,270,000	3.650	88045RUN0	1,295,000	3.650	88045RUC4
2022	1,315,000	3.850	88045RUP5	1,345,000	3.850	88045RUD2

$15,590,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
January 1, 2025	$6,105,000	4.125%	88045RUQ3
January 1, 2028 (PAC)	9,485,000	4.500	88045RUR1

$60,000,000 Issue 2009-B, Subseries B-4 (Non-AMT)*

$60,000,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
July 1, 2041	$60,000,000[2]	[2]	88045RTS1

PRICE OF ISSUE 2011-B BONDS MATURING ON JANUARY 1, 2028: 106.303%

PRICE OF ALL OTHER SERIES BONDS: 100.000%

(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. THDA shall not be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

(2) A portion of THDA's $300,000,000 Housing Finance Program Bonds, Issue 2009-B (Taxable) in the aggregate principal amount of $60,000,000 will be converted and re-designated as the Issue 2009-B Bonds, Subseries B-4 (the "Subseries B-4 Bonds") upon the issuance and delivery of the Issue 2011-B Bonds (such date being the "Release Date"). The Subseries B-4 Bonds will bear interest from (and including) the Release Date to (but excluding) October 25, 2011, at a rate equal to the lesser of (a) the interest rate for Four Week U.S. Treasury Bills as of the second Business Day prior to the Release Date plus 75 basis points or (b) the Permanent Rate. Thereafter, the Subseries B-4 Bonds shall bear interest at the Permanent Rate of to maturity. The "Permanent Rate" will be calculated on or about August 17, 2011, and will be based on the sum of (i) the lowest 10-Year Constant Maturity Rate as reported by the U.S. Treasury in the period beginning June 24, 2011, and ending August 17, 2011, plus (ii) 75 basis points, but is not expected to be greater than 3.22%.

*Not offered hereby.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Issue 2011-B Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Issue 2011-B Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Issue 2011-B Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Issue 2011-B Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The Subseries B-4 Bonds were previously placed with investors and are not being offered by this Official Statement. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Issue 2011-B Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE SERIES BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE SERIES BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING OF THE ISSUE 2011-B BONDS MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE ISSUE 2011-B BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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$60,000,000 Issue 2009-B, Subseries B-4 (Non-AMT)*

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of the Issue 2011-B Bonds in the aggregate principal amount of $40,000,000 (the "Issue 2011-B Bonds") and the conversion and re-designation of a portion of THDA's Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") as the Issue 2009-B Bonds, Subseries B-4 (the "Subseries B-4 Bonds" and, together with the Issue 2011-B Bonds, the "Series Bonds") in the aggregate principal amount of $60,000,000.

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Issue 2011-B Bonds is authorized by the General Housing Finance Resolution, adopted by THDA on November 19, 2009, as amended and supplemented (the "General Resolution") and by a resolution adopted by THDA on May 24, 2011, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on August 4, 2011 (the "Issue 2011-B Supplemental Resolution"). The General Resolution and the Issue 2011-B Supplemental Resolution are herein collectively referred to as the "Resolution."

The Issue 2009-B Bonds were issued in the aggregate principal amount of $300,000,000 pursuant to the General Resolution and a resolution adopted by THDA on November 19, 2009, as amended and supplemented by the Bond Finance Committee on December 3, 2009 (the "Issue 2009-A/B Supplemental Resolution") and the New Issue Bond Program described herein under the heading "NEW ISSUE BOND PROGRAM." In connection with the issuance of the Issue 2011-B Bonds, THDA expects to convert and redesignate a portion of the Issue 2009-B Bonds as Housing Finance Program Bonds, Issue 2009-B, Subseries B-4 (the "Subseries B-4 Bonds") pursuant to the Issue 2009-A/B Supplemental Resolution as supplemented by the Issue 2011-B Supplemental Resolution. The Subseries B-4 Bonds are not being offered pursuant to this Official Statement. See a description of the New Issue Bond Program under the heading "NEW ISSUE BOND PROGRAM" herein.

The General Resolution was adopted in connection with THDA's implementation of the New Issue Bond Program. No assurance can be provided that THDA will continue to issue Bonds under the General Resolution upon the release of all proceeds of the Issue 2009-B Bonds held in escrow as described under the heading "NEW ISSUE BOND PROGRAM" herein.

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to the Bonds on May 23, 2011. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of June 30, 2011 (unaudited), bonds in the aggregate principal amount of $547,310,000 were outstanding under the General Resolution. In addition, as of June 30, 2011 (unaudited), bonds in the aggregate principal amount of $1,506,850,000 were outstanding under THDA's Homeownership Program Bond Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $75,280,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution").

Bonds issued under the Resolution, including the Series Bonds, are and will be special limited obligations of THDA, payable from the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the

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*The Subseries B-4 Bonds are not offered hereby as described herein.

Resolution, as more fully described herein under the caption “SECURITY AND SOURCES OF PAYMENT OF BONDS”. Except as otherwise provided in the Resolution, all bonds issued under the Resolution, including the Series Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Series Bonds, are sometimes referred to herein as the “Bonds”. The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the “Public Pledge Act”). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee’s codification of Article 9 of the Uniform Commercial Code.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

The Issue 2011-B Bonds are being issued and the Subseries B-4 Bonds are being converted to make funds available to purchase Program Loans (or participations therein) to finance the ownership or improvement of single family housing within the State by eligible low and moderate income families. See “PROGRAM LOANS” herein. As used herein the term “Program Loan” includes mortgage loans originated since December 2009 directly financed with Bonds issued under the General Resolution together with certain loans transferred to the General Resolution (“Transferred Loans”) as a result of the refunding of certain obligations under the 1985 General Resolution with the proceeds of a prior issue of Bonds under the General Resolution.

THDA’s Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of June 30, 2011 (unaudited), 4,490 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $443,135,214. Based on the outstanding principal balance of Program Loans as of June 30, 2011, approximately 94.26% were FHA insured, approximately 1.01% were VA guaranteed, approximately 0.17% were insured by private mortgage insurance companies, approximately 3.46% were guaranteed by United States Department of Agriculture, Rural Development (“USDA/RD”), and approximately 1.10% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing). See “HOUSING FINANCE PROGRAM LOANS – Housing Finance Program Portfolio Data” and Appendix B under the heading “Private Mortgage Insurance Programs”.

THDA expects that the funds made available from the issuance of the Issue 2011-B Bonds, the conversion of the Subseries B-4 Bonds, and a contribution from THDA, will be made available to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters’ Fees and other transaction costs; and (iv) fund the Bond Reserve Fund. See “APPLICATION OF BOND PROCEEDS”. The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Series Bonds, are described herein under the caption “PROGRAM LOANS – Description of Program Loans” and in Appendix G.

All Program Loans to be financed with lendable proceeds of the Series Bonds, will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

U.S. Bank National Association (the “Trustee”) is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Series Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Series Bonds, the Resolution and certain provisions of the Act. Such summaries do not purport to be complete and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee.

Certain capitalized terms utilized herein are defined in Appendix D hereto. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

NEW ISSUE BOND PROGRAM

THDA issued $300,000,000 aggregate principal amount of Issue 2009-B Bonds in December 2009 as taxable, variable interest rate escrow bonds under the Single Family New Issue Bond Program (the "New Issue Bond Program") announced by the United States Department of the Treasury ("Treasury"), Fannie Mae and Freddie Mac. The Issue 2009-B Bonds were purchased by Fannie Mae and Freddie Mac (the "Purchasers") pursuant to the New Issue Bond Program and proceeds derived from the sale of the Issue 2009-B Bonds in an amount equal to $300,000,000 were deposited in the Issue 2009-B Escrow Subaccount of the Loan Fund established by the Issue 2009-A/B Supplemental Resolution. Under the New Issue Bond Program, the Purchasers exchanged the Issue 2009-B Bonds for securities issued by the Purchasers ("GSE Securities") backed by the Issue 2009-B Bonds which were purchased by the Treasury. Such GSE Securities are not part of the security for the Issue 2009-B Bonds. The Issue 2009-B Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches prior to December 31, 2011 (each such date, a "Release Date").

The release of amounts held in the Issue 2009-B Escrow Subaccount to become available to purchase Program Loans depends upon compliance with various conditions set forth in the agreement with the Purchasers and in the Issue 2009-A/B Supplemental Resolution, including a requirement that THDA shall have sold additional bonds to investors in accordance with standard bond underwriting practices (the "Market Bonds") in an aggregate principal amount at least equal to two-thirds of the amount of funds released. In order to release all amounts held in the Issue 2009-B Escrow Subaccount, THDA must issue a minimum of $200,000,000 aggregate principal amount of Market Bonds. For purposes of the New Issue Bond Program, the Issue 2011-B Bonds constitute Market Bonds, and upon the satisfaction of the conditions precedent to the release of a portion of the funds from the Issue 2009-B Escrow Subaccount, THDA expects to release $60,000,000 from the Issue 2009-B Escrow Subaccount (the "Released Issue 2009-B Proceeds") on the applicable Release Date which is expected to be the delivery date of the Issue 2011-B Bonds. The portion of the Issue 2009-B Bonds corresponding to the Released Issue 2009-B Proceeds will be re-designated as the Subseries B-4 Bonds on such Release Date. THDA previously released an aggregate principal amount of $205,290,000 of proceeds of the Issue 2009-B Bonds in three prior releases. Upon the release of the Released Issue 2009-B Proceeds, approximately $34,710,000 will remain on deposit in the Issue 2009-B Escrow Subaccount and available for future releases. No assurance can be provided that THDA will continue to issue Bonds under the General Resolution upon the release of all amounts on deposit in the Issue 2009-B Escrow Subaccount.

DESCRIPTION OF THE SERIES BONDS

General

The Issue 2011-B Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof and will be available in book-entry only form. Purchasers of the Issue 2011-B Bonds will not receive certificates representing their interest in the Issue 2011-B Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Issue 2011-B Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "Book-Entry Only System" for a description of the DTC book-entry only system.

The Issue 2011-B Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Issue 2011-B Bonds accrues from the dated date of the Issue 2011-B Bonds and is payable on January 1, 2012, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

The Subseries B-4 Bonds will mature on July 1, 2041. The Subseries B-4 Bonds are dated December 21, 2009, and will bear interest from August 25, 2011, with rates calculated as indicated on the inside front cover page of this Official Statement. Interest on the Subseries B-4 Bonds is payable on October 25, 2011, and semi-annually on each January 1 and July 1 thereafter, commencing January 1, 2012, on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Series Bonds

Sinking Fund Redemption

The Issue 2011-B Bonds maturing on January 1, 2025, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2023, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-B
Term Bonds Due January 1, 2025

Year	Amount Due January 1	Amount Due July 1
2023	$1,370,000	$1,400,000
2024	1,430,000	1,460,000
2025	445,000 (maturity)	

The Issue 2011-B Bonds maturing on January 1, 2028, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2025, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-B
PAC Term Bonds Due January 1, 2028

Year	Amount Due January 1	Amount Due July 1
2025	$1,045,000	$1,520,000
2026	1,560,000	1,595,000
2027	1,630,000	1,665,000
2028	470,000 (maturity)	

The Subseries B-4 Bonds maturing on July 1, 2041, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2028, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Subseries B-4
Term Bonds Due July 1, 2041

Year	Amount Due January 1	Amount Due July 1
2028	$1,240,000	$1,730,000
2029	1,760,000	1,790,000
2030	1,820,000	1,860,000
2031	1,880,000	1,920,000
2032	1,950,000	1,980,000
2033	2,020,000	2,050,000
2034	2,080,000	2,120,000
2035	2,160,000	2,200,000
2036	2,230,000	2,270,000
2037	2,310,000	2,340,000
2038	2,390,000	2,430,000
2039	2,470,000	2,510,000
2040	2,560,000	2,600,000
2041	2,640,000	2,690,000 (maturity)

Optional Redemption. The Issue 2011-B Bonds maturing on and after July 1, 2021, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after January 1, 2021, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The Subseries B-4 Bonds are subject to redemption at the option of THDA prior to their maturity, either as a whole or in part on the first Business Day of each month commencing September 1, 2011, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of Issue 2011-B PAC Bonds. The Issue 2011-B PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Issue 2011-B PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2011-B Principal Payments (as defined below). Any Excess 2011-B Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Issue 2011-B PAC Bonds on any Interest Payment Date commencing January 1, 2012; provided, however, Issue 2011-B PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2011-B PAC Bonds remain Outstanding, Excess 2011-B Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Series Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-B PAC Bonds"), as determined by THDA, then available Excess 2011-B Principal Payments shall first be applied to redeem Issue 2011-B PAC Bonds up to an amount correlating to the Planned Amortization Amount (as defined below) for Issue 2011-B PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the Issue 2011-B PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Series Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2011-B Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) shall first be applied to redeem Issue 2011-B PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the Issue 2011-B PAC Bonds (any such remainder used to redeem Issue 2011-B PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2011-B Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the Issue 2011-B PAC Bonds' proportionate amount of all Issue 2011-B Bonds then Outstanding.

"Excess 2011-B Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds which do not constitute Excess Subseries B-4 Principal Payments to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.

"Planned Amortization Amount" means the dollar amount for each Interest Payment Date set forth in the Issue 2011-B Supplemental Resolution. Each Planned Amortization Amount represents the cumulative principal amount of Issue 2011-B PAC Bonds assumed to be redeemed from Excess 2011-B Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 75% PSA prepayment rate for Program Loans financed with the proceeds of the Series Bonds. See "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-B PAC Bonds" for a description of PSA prepayment rates.

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The amortization schedule of the Issue 2011-B PAC Bonds, including the Planned Amortization Amounts for the Issue 2011-B PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Series Bonds in accordance with the expected schedule for such origination and receipt of principal prepayments on the Program Loans allocable to the Series Bonds at a rate equal to 75% of the PSA prepayment rate) as of each payment date is set forth below:

Issue 2011-B PAC Bonds Amortization Schedule

Date	Planned Amortization Amount
January 1, 2012	$ 35,000
July 1, 2012	235,000
January 1, 2013	605,000
July 1, 2013	1,125,000
January 1, 2014	1,790,000
July 1, 2014	2,540,000
January 1, 2015	3,265,000
July 1, 2015	3,950,000
January 1, 2016	4,600,000
July 1, 2016	5,215,000
January 1, 2017	5,795,000
July 1, 2017	6,335,000
January 1, 2018	6,840,000
July 1, 2018	7,315,000
January 1, 2019	7,750,000
July 1, 2019	8,150,000
January 1, 2020	8,520,000
July 1, 2020	8,850,000
January 1, 2021	9,145,000
July 1, 2021	9,410,000
January 1, 2022	9,485,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent Issue 2011-B PAC Bonds are redeemed from amounts on deposit in the Issue 2011-B/Subseries B-4 Subaccount of the Loan Fund and not applied to finance Program Loans.

For a description of the impact on the weighted average life of the Issue 2011-B PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Series Bonds at various speeds, see "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-B PAC Bonds."

Special Mandatory Redemption of Subseries B-4 Bonds. The Subseries B-4 Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Subseries B-4 Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Fund representing Excess Subseries B-4 Principal Payments (as defined below). Any Excess Subseries B-4 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Subseries B-4 Bonds at least once during each semi-annual period ending on January 1, or July 1, commencing January 1, 2012, to the extent there are at least $10,000 of Excess Subseries B-4 Principal Payments received during such semi-annual period.

"Excess Subseries B-4 Principal Payments" means, while any Issue 2011-B Bonds are Outstanding, a pro rata portion (calculated based on the then outstanding principal amount of the Subseries B-4 Bonds divided by the then outstanding principal amount of the Series Bonds), and subsequent to the payment, in full, of the Issue 2011-B Bonds, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.

Special Redemption of the Series Bonds, including Cross Calls. The Series Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Series Bonds not expected to be applied to the financing of Program Loans; (ii) except as otherwise described under the headings"DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory

Redemption of Issue 2011-B PAC Bonds," "-Special Mandatory Redemption of Subseries B-4 Bonds," and "-Mandatory Redemption – 10 Year Rule" repayments and prepayments of Program Loans allocated to the Series Bonds in excess of regularly scheduled debt service payments on the Series Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the "Code"), and (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses; provided, however, that the Issue 2011-B PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-B PAC Bonds" and (b) shall not be subject to redemption as described in clauses (iii) and (iv) above if such redemption would cause amortization of the Issue 2011-B PAC Bonds to exceed the Planned Amortization Amount shown above in the Issue 2011-B PAC Bonds Amortization Schedule. The Resolution permits the sale of Program Loans, including those allocated to the Series Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Series Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, the redemption price for the Issue 2011-B PAC Bonds in the event of a redemption described in clause (i) above shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Series Bonds to be so redeemed shall be redeemed pro rata among all maturities then Outstanding and eligible for redemption, unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Series Bonds to be so redeemed; provided, however, that the Issue 2011-B PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2011-B Bonds then Outstanding in the event of a redemption pursuant to clause (i) above. See "ASSUMPTIONS REGARDING THE SERIES BONDS – Prepayments" and "ASSUMPTIONS REGARDING THE SERIES BONDS - THDA Redemption Practices". See "TAX MATTERS" herein for a description of the potential tax consequences of a redemption of the Issue 2011-B PAC Bonds at their issue price.

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Series Bonds or otherwise required to be applied to the redemption of the Issue 2011-B PAC Bonds or the Subseries B-4 Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Series Bonds received on or after August 25, 2021, shall be applied to redeem Series Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Series Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-B PAC Bonds," THDA shall direct the redemption of the Series Bonds pro rata among all maturities then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be redeemed; provided, however, that the Issue 2011-B PAC Bonds may be redeemed in an amount that exceeds the Planned Amortization Amount shown above in the Issue 2011-B PAC Bonds Amortization Table only if there are no other Series Bonds outstanding.

Mandatory Redemption – Unexpended Proceeds. The Series Bonds are subject to mandatory redemption on May 1, 2012, in the event and to the extent that there are unexpended proceeds of the Series Bonds on deposit in the Issue 2011-B/Subseries B-4 Bonds Subaccount of the Loan Fund on April 1, 2012, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2011-B Supplemental Resolution.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Series Bonds are subject to mandatory redemption on February 25, 2015, to the extent any amounts remain on deposit in the Issue 2011-B/Subseries B-4 Subaccount of the Loan Fund.

The redemption price of the Series Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the Issue 2011-B PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. THDA shall direct the redemption of the Series Bonds pro rata among all maturities of such Series Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be so redeemed; provided, however, that (i) the Subseries B-4

Bonds shall be redeemed on a pro-rata basis from among all Series Bonds then Outstanding and (ii) the Issue 2011-B PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Series Bonds then Outstanding. See “TAX MATTERS” herein for a description of the potential tax consequences of a redemption of the Issue 2011-B PAC Bonds at their issue price.

Selection By Lot

If less than all of the Series Bonds of like series and maturity are to be redeemed, the particular Series Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds, and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds, which notice shall specify the series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. In the event that the Trustee does not, at the time notice of any redemption is required to be given under the Resolution, hold on deposit in the Redemption Fund an amount sufficient to pay the Redemption Price of, plus interest accrued and unpaid to the redemption, such notice shall further state that the redemption is conditional upon sufficient funds being so deposited or transferred by or at the direction of THDA to the Redemption Fund and that, in the event such funds are not so deposited or transferred, the redemption shall be canceled, or reduced to the extent of funds actually on deposit, and written notice of such cancellation or reduction shall be given to the holders of Bonds which are not to be redeemed within ten (10) days following the proposed redemption date in the same manner as provided for notice of the redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than twenty (20) days (or such shorter period as may be acceptable to DTC) before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix F – “Book-Entry-Only System” for a discussion of DTC practices.

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APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Series Bonds, together with a contribution from THDA, will be credited or applied as set forth below:

SOURCES		
Par Amount of the Issue 2011-B Bonds	$	40,000,000.00
Premium on Issue 2011-B PAC Bond		597,839.55
Released Issue 2009-B Proceeds		60,000,000.00
THDA Contribution		2,863,671.81
TOTAL SOURCES	$	103,461,511.36
USES		
Deposit to Issue 2011-B/Subseries B-4 Subaccount of the Loan Fund	$	100,000,000.00
Deposit to Bond Reserve Fund		3,000,000.00
Costs of Issuance		169,000.00
Underwriters' Fee		292,511.36
TOTAL USES	$	103,461,511.36

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable from the revenues and assets of THDA pledged under the Resolution. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution, including the Escrow Fund but excluding the Issue 2009-B Escrow Subaccount, the investments in which are pledged solely to secure the Issue 2009-B Bonds which have not been the subject of a Conversion;

(c) All Funds and Accounts created by the Resolution, including the Bond Reserve Fund, and monies and securities therein, except amounts on deposit in the Issue 2009-B Escrow Subaccount which are pledged solely to secure the Issue 2009-B Bonds which have not been the subject of a Conversion and amounts required by the Resolution to be deposited in the Escrow Fund (see Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION"); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. In accordance with the Act and the Resolution, THDA has established a Bond Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the "Bond Reserve Fund Requirement". The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the date of issuance of the Issue 2011-B Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, at any time, there is not a sufficient amount available in the Debt Service and Expense Account to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the Debt Service and Expense Account.

Issue 2009-B Escrow Subaccount of the Loan Fund

Amounts on deposit in the Issue 2009-B Escrow Subaccount of the Loan Fund are pledged solely to Issue 2009-B Bonds that have not been converted and re-designated as subseries bonds in connection with the issuance of Market Bonds, unless and until there is an Event of Default under the Resolution, in which event such funds shall be applied as required by the Resolution; provided, however, that THDA has agreed that upon any such Event of Default amounts on deposit in the Issue 2009-B Escrow Subaccount of the Loan Fund shall be applied to the payment of other Bonds under the Resolution only if there are no other funds under the Resolution available for such payment.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Series Bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING THE SERIES BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Series Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements upon the issuance or remarketing of Bonds, including the Series Bonds, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Issue 2011-B Bonds and the conversion of the Subseries B-4 Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumption that THDA originates approximately $100,000,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 5.05%. The maturities and Sinking Fund Payments for the Series Bonds have been structured on the assumption that Program Loans will experience no prepayments. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Issue 2011-B Bonds and the conversion of the Subseries B-4 Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for Bonds Outstanding.

THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Series Bonds, when scheduled, may be adversely affected and the expected life of the Series Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Series Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Series Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Issue 2011-B Bonds and the conversion of the Subseries B-4 Bonds, will be deposited in the Issue 2011-B/Subseries B-4 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Issue 2011-B Bonds and the conversion of the Subseries B-4 Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. The current interest rates on Great Rate Program Loans are expected to be below the prevailing home mortgage interest rates offered by mortgage lenders in Tennessee at the time of delivery of the Series Bonds. In addition, THDA may use amounts made available from the issuance of the Issue 2011-B Bonds and the conversion of the Subseries B-4 Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "PROGRAM LOANS – Description of Program Loans" – Homeownership Choices" and Appendix G – "PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

On June 6, 2011, THDA began issuing commitments for Program Loans that, when closed and purchased, will be allocable to the Series Bonds. As of July 22, 2011, THDA had purchased Program Loans in the approximate aggregate principal amount of $9,069,558 and had commitments for additional Program Loans in the approximate aggregate principal amount of $8,911,688. The weighted average interest rate of such purchased and committed Program Loans is approximately 5.24%.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of Bonds, including the Series Bonds, will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans when bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds, however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of program loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

THDA has not redeemed any bonds from unexpended proceeds under the General Resolution. The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from the Series Bonds will be fully expended for Program Loans.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Series Bonds. See "DESCRIPTION OF THE SERIES BONDS".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Series Bonds.

Changes in Federal or State Law

Legislation affecting the Series Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Series Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of

August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

On July 7, 2011, the U.S. Department of Housing and Urban Development announced changes to Federal Housing Administration and Making Home Affordable Program requirements that direct servicers to extend the period of time during which eligible borrowers may skip part or all of their monthly payments from three or four months to twelve months whenever possible. These requirements become effective on August 1, 2011, with a subsequent sixty day implementation period. At present, THDA cannot predict what effect, if any, these requirements would have on the Program Loan portfolio, which, together with other revenues and assets available under the Resolution, is the source of payment and security for the Series Bonds.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $236 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $20,000 for up to 18 months in 29 targeted counties and up to $15,000 for up to 12 months in 66 counties. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of June 30, 2011, 162 loans made under the HHF Program have closed. Four of these loans have been made with respect to Program Loans previously financed under the Resolution. None of the loans made under the HHF Program are pledged as security for the Bonds.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Series Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Series Bonds. To the extent THDA is required or elects to redeem the Series Bonds, it is probable that the Series Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the General Resolution, the resolutions adopted in connection with other issues of Bonds under the General Resolution (the "Bond Resolutions") and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Series Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Series Bonds as described herein under "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-B PAC Bonds," "– Special Mandatory Redemption of Subseries B-4 Bonds," "- Special Redemption of the Series Bonds, including Cross Calls" and "– Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The General Resolution and the Bond Resolutions specify when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF THE SERIES BONDS - Redemption Provisions for Series Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and Issues to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the General Resolution and/or the Bond Resolutions including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

THDA expects to pay Costs of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure costs, Operating Fees and Capital Replacement Fees, and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. In preparing the Projected Cash Flow Statement, THDA has assumed that an amount equal to 0.20% of the outstanding principal amount of Programs Loans financed under the General Resolution is withdrawn annually for the payment of Program Expenses. To the extent funds are available therefor, THDA currently expects to continue to pay other Program Expenses and other operating and administrative costs and expenses of THDA from the Housing Program Fund, a fund of THDA created in 1988 that is not subject to the lien of the Resolution. To the extent funds are not available from the Housing Program Fund, THDA expects to pay Program Expenses from other THDA resources outside the Resolution. See "THDA – THDA Funds."

Investment Assumptions

Estimated available investment income attributable to the Series Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until December 23, 2019, 1% until December 23, 2026, and 2% until the Series Bonds are fully redeemed; and (iii) funds on deposit in the Issue 2011-B/Subseries B-4 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Series Bonds when scheduled.

Average Life of Issue 2011-B PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the Issue 2011-B PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Series Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. “100% PSA” assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayment of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans financed with the proceeds of the Series Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Series Bonds and hence the weighted average life of the Issue 2011-B PAC Bonds. THDA has provided for the redemption of the Issue 2011-B PAC Bonds as described under the heading “DESCRIPTION OF THE SERIES BONDS - Redemption Provisions for Series Bonds—*Special Mandatory Redemption of Issue 2011-B PAC Bonds*”, and the weighted average lives of the Issue 2011-B PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2011-B/Subseries B-4 Subaccount of the Loan Fund is applied to finance Program Loans, (ii) Excess 2011-B Principal Payments will be used to redeem Issue 2011-B PAC Bonds only on Interest Payment Dates, and (iii) the Issue 2011-B PAC Bonds will be redeemed only in Planned Amortization Amounts as described under the heading “DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – *Special Mandatory Redemption of Issue 2011-B PAC Bonds*” and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate.

Projected Weighted Average Lives For Issue 2011-B PAC Bonds

PSA Speed	Average Life (in years)
25%	11.0
50	7.6
75	5.0
100	5.0
200	5.0
300	5.0
400	5.0
500	4.6

HOUSING FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $554,710,000 total original principal amount of Bonds under the General Resolution, of which $547,310,000 (unaudited) were outstanding as of June 30, 2011, as shown below:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Amount Outstanding as of June 30, 2011 (unaudited)	Original Net Interest Cost
2009-A	December 23, 2009	$100,000,000	--	$ 97,540,000	3.96%
2009-B[(1)]	December 23, 2009	300,000,000	--	94,710,000	[(2)]
2010-A/2009-B-1	June 17, 2010	74,710,000	$85,290,000	155,435,000	3.85
2010-B/2009-B-2	November 10, 2011	40,000,000	60,000,000	99,625,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	100,000,000	3.70
TOTAL		$554,710,000		$547,310,000	

(1) Portions of such Bonds were previously converted and redesignated as Issue 2009-B, Subseries B-1, Issue 2009-B, Subseries B-2, and Issue 2009-B, Subseries B-3. An additional portion of such Bonds is being converted and redesignated as the Subseries B-4 Bonds in connection with the Issue 2011-B Bonds offered hereunder.

(2) Variable rate, taxable. May be converted to fixed rate, non-taxable in 2011. See “NEW ISSUE BOND PROGRAM.”

Origination Experience

THDA’s experience from December 23, 2009, to June 30, 2011, regarding origination of Program Loans[(1)] from lendable proceeds of Bonds issued since December 23, 2009, is shown in the following table:

Issue of Bonds	Lendable Proceeds	Program Loans Financed[(2)] as of June 30, 2011 Amount	%	Weighted Average Mortgage Interest Rate
2009-A	$ 98,833,984	$ 98,833,984	100.00%	5.38%
2010-A/2009-B-1	136,547,095	136,547,095	100.00	5.20
2010-B/2009-B-2	95,990,100	95,990,100	100.00	4.83
2011-A/2009-B-3	102,400,000	96,292,360	94.04	5.20
TOTAL	$433,771,179	$427,663,539[(3)]		

(1) See “HOUSING FINANCE PROGRAM LOANS—Description of Program Loans” for more information about Program Loans.

(2) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments and Transferred Loans are not included.

(3) Excludes Transferred Loans.

In order to comply with the Code, certain Bonds issued by THDA resulted in the creation of pools of lendable proceeds which must be originated at very low or 0% interest to achieve yield compliance on such Bonds. The currently available amount of such pools of lendable proceeds, on an aggregate basis, is approximately $6,600,000 as of June 30, 2011. THDA intends to use such amounts, from time to time, to finance Program Loans on a blended basis, or at 0% interest, with the lendable proceeds of the Series Bonds or current or future Bonds to reduce interest rates on various types of Program Loans as determined by THDA.

HOUSING FINANCE PROGRAM LOANS

Description of Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limit is $200,160 for all counties except those counties in the Nashville Metropolitan Statistical Area (“MSA”). The THDA Acquisition Cost Limit is $226,100 for those counties in the Nashville MSA. The THDA

Household Income Limits range from $54,480 to $92,680 depending on household size and geographic location. See Appendix G for a description of Program Loan Procedures related to Code requirements.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. As of July 18, 2011, the current interest rate for Great Rate Program Loans is 4.25%, the current interest rate for the Great Advantage Program Loans is 4.55% and the current interest rate for Great Start Program Loans is 4.85%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

Housing Finance Program Portfolio Data

General

As of June 30, 2011 (unaudited), 4,490 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $443,135,214 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 341.02 months and an approximate weighted average interest rate of 5.20%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of June 30, 2011 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA [(1)]	Number of Program Loans	Outstanding Balance [(4)]	Percent of Total Number of Program Loans [(4)]	Percent of Outstanding Balance [(4)]
FHA Insured…………………………	4,177	$417,692,291	93.03%	94.26%
VA Guaranteed………………………	55	4,480,496	1.22	1.01
Privately insured[(2)]...........................	16	757,315	0.36	0.17
Uninsured[(3)]………………………….	63	4,860,694	1.40	1.10
USDA/RD Guaranteed……………...	179	15,344,417	3.99	3.46
TOTAL……………………………..…	4,490	$443,135,214[(5)]	100.00%[(5)]	100.00%[(5)]

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOUSING FINANCE PROGRAM LOANS—Description of Program Loans" for a description of types of Program Loans.

(2) Consists of Transferred Loans transferred to the Resolution from the 1985 General Resolution in connection with the Issue 2010-A/2009-B Subseries B-1 Bonds.

(3) 22% minimum equity interest by borrower at time of closing.

(4) Rounded figures.

(5) Rounded total. Includes Transferred Loans.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Transferred Loans are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

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As of June 30, 2011 (unaudited), 16 privately insured Program Loans all of which are Transferred Loans, having an aggregate balance of approximately $757,315 were outstanding under the General Resolution as shown below:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [1]	Percent of Total Number of Program Loans[1]	Percent of Outstanding Balance [1]
Commonwealth/CMAC	2	$ 88,403	0.045%	0.020%
Genworth Mortgage Insurance Corp. (GE)	6	301,582	0.134	0.068
Radian Guaranty Inc.	2	83,243	0.045	0.019
Republic Mortgage Insurance Corporation	5	249,012	0.111	0.056
United Guaranty Residential Insurance Co.	1	35,074	0.022	0.008
TOTAL	16	$757,315[2]	0.356%[2]	0.170%[2]

(1) Rounded figures.
(2) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of June 30, 2011 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[1]	Outstanding Balance [2]	Percent of Total Number of Program Loans[2]	Percent of Outstanding Balance [2]
0.00-0.99	27	$2,067,354	0.60%	0.47%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	0	0	0.00	0.00
3.00-3.99	55	5,383,400	1.23	1.22
4.00-4.99	1,267	132,422,014	28.23	29.90
5.00-5.49	1,906	202,567,456	42.47	45.74
5.50-5.99	767	78,347,098	17.09	17.69
6.00-6.49	52	2,268,116	1.16	0.51
6.50-6.99	290	14,533,401	6.46	3.28
7.00-7.49	25	1,378,592	0.56	0.31
7.50-7.99	13	915,889	0.29	0.21
8.00-8.49	68	2,848,081	1.52	0.64
8.50-8.99	20	403,812	0.45	0.09
TOTAL	4,490	$443,135,214[3]	100.00%[3]	100.00%[3]

(1) See “HOUSING FINANCE PROGRAM LOANS —Description of Program Loans” for a description of types of Program Loans.
(2) Rounded figures.
(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America (“MBA”).

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

For information with respect to defaults and foreclosures relating to THDA's Homeownership Program under the 1985 General Resolution, see related Official Statements and quarterly reports on file with the Municipal Securities Rulemaking Board at www.msrb.org.

Delinquencies and Foreclosures as of June 30, 2011

As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.38%, based on a total of 4,490 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	58	$5,788,908	1.39%	1.86%(4)
VA Guaranteed	0	0	0.00	1.09
Privately insured	0	0	0.00	0.70
USDA/RD Guaranteed	4	249,340	2.23	(5)
Uninsured	0	0	0.00	(5)
TOTAL	62	$6,038,248(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

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As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 1.74%, based on a total of 4,490 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance[1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	72	$6,008,518	1.72%	4.71%[4]
VA Guaranteed	2	124,784	3.64	2.39
Privately insured	1	55,914	6.25	1.50
USDA/RD Guaranteed	3	140,657	1.68	[5]
Uninsured	0	0	0.00	[5]
TOTAL	78	$6,329,874[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of June 30, 2011 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.80%, based on a total of 4,490 Program Loans as of June 30, 2011.

The foreclosure rate by loan type for Program Loans in foreclosure as of June 30, 2011 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2011, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance[1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	36	$3,581,583	0.86%	2.45%[4]
VA Guaranteed	0	0	0.00	1.96
Privately insured	0	0	0.00	1.69
USDA/RD Guaranteed	0	0	0.00	[5]
Uninsured	0	0	0.00	[5]
TOTAL	36	$3,581,583[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix J.

FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM

Consolidated Revenues and Net Assets

The following table summarizes consolidated revenues and net assets for Housing Finance Program Bonds for the most recent year, and for the nine months ended March 31, 2011, and March 31, 2010. Data in the table is expressed in thousands and is taken from the Agency's audited financial statements as of and for the year ended June 30, 2010, and for the nine months ended March 31, 2011 (unaudited) and March 31, 2010 (unaudited).

	Nine Months Ended March 31 (Unaudited)		Year Ended June 30 (Audited)
Housing Finance Bond Group	**2011**	**2010**	**2010**
REVENUES:			
Interest on Mortgages	$ 13,027	$ 1,267	$ 3,143
Investment Income:			
Interest	365	27	69
Net Increase (decrease) in the Fair Value of Investments	(248)	49	185
Fees and Other Income	-	-	-
	13,144	1,343	3,397
EXPENSES:			
Interest	6,453	1,032	2,151
Issuance Cost	46	5	22
Mortgage Servicing Fees	863	81	208
Down Payment Assistance Grants	-	-	-
Other	45	1	19
	7,407	1,119	2,400
Excess of Revenues over Expenses	5,737	224	997
Net Assets/Retained Earnings at beginning of period	22,081	-	-
Loss on early retirement of bonds	-	-	-
Other Transfers	41,886	20,189	21,084
Net Assets/Retained Earnings at end of period	$ 69,704	$ 20,413	$ 22,081

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. Bids are solicited by THDA in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of June 30, 2011 (unaudited), the short-term investment portfolio was placed as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 5,000,000
Federal Home Loan Bank Notes	2,405,911
Federal Home Loan Mortgage Corporation Notes	4,020,833
Fannie Mae Notes	5,317,101
Repurchase Agreements[1]	9,600,000
United States Treasury Bonds	97,578,830[2]
TOTAL	$ 123,922,675

(1) Counterparties for these Repurchase Agreements are UBS ($5,500,000) and Morgan Stanley ($4,100,000).

(2) $94,710,000 of such investment is allocated to the Issue 2009-B Escrow Subaccount of the Loan Fund; investments allocated to the Issue 2009-B Escrow Subaccount of the Loan Fund will proportionately diminish upon each release of proceeds from the Issue 2009-B Escrow Subaccount of the Loan Fund, including the release of $60,000,000 principal amount of proceeds in connection with the conversion and redesignation of the Subseries B-4 Bonds.

As of June 30, 2011 (unaudited), amounts in the Bond Reserve Fund, a portion of the short-term investment portfolio described above, were invested as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 5,000,000
Federal Home Loan Bank Notes	564,186
Federal Home Loan Mortgage Corporation Notes	1,491,094
Fannie Mae Notes	5,116,302
United States Treasury Bonds	2,785,894
TOTAL	$ 14,957,476

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

THDA is subject to periodic review by the General Assembly to evaluate the necessity for its continued existence. THDA's existence has been continued until June 30, 2014.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of June 30, 2011 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $2,129,440,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors are shown below:

Name	Term Expires	Principal Occupation
Robyn J. Askew	July 1, 2013	Attorney, Bosch Law Firm Knoxville, TN
Brian Bills, Chairman	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Tim Bolding	July 1, 2012	Executive Director, United Housing, Inc. Memphis, TN
Mark Cate[(1)]	[(2)]	Special Assistant & Policy Advisor to the Governor
Terry Cunningham	July 1, 2011[(4)]	Executive Director, Kingsport Housing and Redevelopment Authority, Kingsport, TN
Mark Emkes[(1)]	[(2)]	Commissioner, Department of Finance and Administration
William Graves	July 1, 2013	Retired. Formerly General Manager, Fleetwood Homes of TN, Inc., Gallatin, TN
Tre Hargett[(1)]	January, 2013	Secretary of State
Winston Henning	July 1, 2012	Executive Director, Jackson Housing Authority, Jackson, TN
Loretta J. Jercinovich	July 1, 2012	President, First State Bank Mortgage Division Jackson, TN
David H. Lillard, Jr.[(1)]	January, 2013	State Treasurer
Janis McNeely	July 1, 2013	Retired. Formerly, Relationship Manager, First Tennessee Home Loans, Nashville, TN
Alvin Nance	July 1, 2012	President/CEO, Knoxville's Community Development Corporation, Knoxville, TN
Ralph M. Perrey	July 1, 2015	Senior Business Developer—Appalachia Fannie Mae, Nashville, TN
Lisa Reid	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
Benjie Shuler	July 1, 2012	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	July 1, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
F. Carl Tindell	July 1, 2011[(5)]	Owner/Chairman, Tindell's Building Supply Knoxville, TN
Justin Wilson[(1)]	January, 2013	Comptroller of the Treasury
Mary Chatman	[(3)]	Springfield, TN

(1) Ex officio member.

(2) Serves at pleasure of Governor.

(3) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

(4) Phil Baggett has been appointed to succeed Mr. Cunningham but has not yet completed all prerequisites to be qualified.

(5) Philip C. Chamberlain, II, has been appointed to succeed Mr. Tindell but has not yet completed all prerequisites to be qualified.

Executive Staff Members

THDA employs a staff of approximately 221 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ted R. Fellman – Executive Director since 2005. THDA employee since 1995. Formerly, Tennessee Department of Correction (1992-1995); Correctional Enterprises of Tennessee (1986-1992); Tennessee Department of Finance and Administration (1984-1986). B.S., Tennessee Technological University; M.P.A., Tennessee State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Ronald L. Erickson, C.P.A. – Director of Internal Audit since 2000. Formerly, Tennessee Department of General Services (1984-2000); Comptroller of the Treasury, Division of Municipal Audit (1980-1984). B.B.A., Austin Peay State University.

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Lindsay Pully – Director of Single Family Programs since February 2011. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Trent Ridley – Chief Financial Officer since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

Laura Sinclair – Chief Program Officer since February 2011. THDA employee since 2006. Formerly, Columbia National Mortgage (1998-2000); Tennessee Housing Development Agency (1997-1998); New Mexico Mortgage Finance Authority (1994-1997); North American Mortgage Co. (1992-1994); CBS Commercial Real Estate Co. (1990-1991); PaineWebber Mortgage Finance Co. (1984-1990). B.A., University of New Mexico.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in nine (9) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide for the creation of the Housing Program Fund, the Housing Program Reserve Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Homeownership Program and any of the other general bond resolutions or mortgage loan programs of THDA. The Housing Program Fund originally contained, among other things, state tax revenue statutorily directed to THDA for the HOUSE Program, a statutorily authorized grant program administered by THDA that is not related to the General Resolution, the Homeownership Program or any of the other general bond resolutions or mortgage loan programs of THDA. The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from THDA's Housing Bond Resolution (Mortgage Finance Program) in accordance with its terms, together with related investment earnings. The Housing Program Reserve Fund was created as a reserve for THDA's non-mortgage programs. See Appendix E under the heading "OTHER THDA FINANCINGS" for a description of each of these statutorily created funds. These funds are not pledged as security for the Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA:

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal year ending June 30, 2012.

Payment of THDA Operating Expenses, Including Program Expenses

THDA administers certain federal programs such as the low income housing tax credit program, the Section 8 voucher program and the HOME program and pays operating expenses associated with these programs from administrative fees earned or other fees charged in connection with the administration of these programs. Neither investment earnings from the Assets Fund nor amounts in the General Resolution have been used to pay the operating expenses associated with these programs.

From 1988 to 2002, investment earnings from amounts on deposit in the Assets Fund, as supplemented with investment earnings on other THDA funds, were a primary source for paying THDA operating and administrative costs and expenses, including staff salaries, Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and substantially all other expenses associated with the Homeownership Program and the other general bond resolutions and mortgage loan programs of THDA. Investment earnings from amounts on deposit in the Assets Fund were annually transferred by THDA to the Housing Program Fund, from which referenced expenses were paid. Although such investment earnings on amounts on deposit in the Assets Fund no longer exist due to the transfers from the Assets Fund to the State General Fund described above, THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure cost and other similar costs) and other THDA operating and administrative costs and expenses from the Housing Program Fund and other available funds under the 1974 General Resolution and the 1985 General Resolution. In the future, however, THDA expects to use more of the amounts available under THDA bond resolutions, including the General Resolution, for the payment of Program Expenses in addition to the payment of Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Regardless of THDA's best efforts and in the event of additional transfers, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

State Budget

The State-approved budget for fiscal year 2011-2012 which ends June 30, 2012 (the "FY 2011-2012 Budget") is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The FY 2011-2012 Budget, as adopted by the General Assembly, is based on State revenue growth estimates that reflect 3.35% growth in revenue collections in fiscal year 2011-2012.

For fiscal year 2010-2011, on an accrual basis, June 2011 was the eleventh month in the fiscal year. For the month, General Fund collections were $31.1 million above the official budgeted estimate, and overall revenues were $31.8 million more than budgeted. For the first eleven months of fiscal year 2010-2011, the General Fund was over collected by $219 million, and the four other funds that share in State tax revenue collections were $30.5 million over collected. The total over collection for the first eleven months of fiscal year 2010-2011 was $249.5 million.

If projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Other Post-Employment Benefits

Certain Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2009, which was updated as of July 1, 2010, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $3,316,000 and the annual required contribution for THDA is approximately $358,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2012. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1985 General Resolution or the 1974 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Issue 2011-B Bonds and the conversion and redesignation of the Subseries B-4 Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Series Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Series Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Issue 2011-B Bonds and conversion and redesignation of the Subseries B-4 Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Interest on the Series Bonds (i) will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (ii) is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Series Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Series Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Series Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery, or conversion, as applicable, of the Series Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Issue 2011-B Bonds and conversion of Subseries B-4 Bonds, as applicable, interest on the Series Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Series Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of a Series Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned the Series Bonds a rating of Aa2. Such rating reflects only the views of the rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's. THDA has furnished to Moody's certain information and materials with respect to the Series Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 1974 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, without regard to whether such Rule applies to the placement of the Subseries B-4 Bonds, THDA, in the Issue 2009-A/B Supplemental Resolution and in the Issue 2011-B Supplemental Resolution for the benefit of the Beneficial Owners of the Series Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared as described in "FINANCIAL STATEMENTS" below, and an annual updating of certain information relating to the Program Loans, including, without limitation, information with respect to the outstanding balances of such Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, and in Appendix E (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, with (i) the MRSB and (ii) the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Series Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Bond Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on credit enhancements, if any, for the Series Bonds, reflecting financial difficulties; (v) substitution of credit or liquidity providers, if any, for the Series Bonds, or their failure to perform; (vi) adverse tax opinions, or material notices of determinations with respect to the tax status of the Series Bonds or other material events affecting the tax-exempt status of the Series Bonds; (vii) modifications to rights of holders of the Series Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Series Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Issuer (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent of similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2011-B Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the Series Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2011-B Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, as applicable, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Series Bonds, or (ii) the holders of the Series Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Series Bonds pursuant to the General Resolution as in effect on the date of the Issue 2011-B Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, as applicable, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2011-B Supplemental Resolution and the Issue 2009-A/B Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2011-B Bonds and the Issue 2009-B Bonds (including the Subseries B-4 Bonds), respectively. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Series Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Series Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Series Bonds, a certificate of THDA and the opinion of the General Counsel of THDA will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series Bonds, or in any way contesting or affecting the validity of the Series Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Series Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Issue 2011-B Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Issue 2011-B Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York. Certain legal matters incident to the conversion of the Subseries B-4 Bonds will be passed upon by Kutak Rock LLP.

FINANCIAL STATEMENTS

Appendix A contains the audited financial statements of THDA and supplementary data as of and for the fiscal years ending June 30, 2010, and June 30, 2009, together with the letter thereon from Arthur A. Hayes, Jr., CPA, Director, Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, and the unaudited financial statements of THDA for the nine month periods ending March 31, 2011, and March 31, 2010. Such audited financial statements and supplementary data are included herein in reliance upon the report thereon of such official. The audited financial statements are audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”).

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, Morgan Keegan & Company, Inc., Citigroup Global Markets Inc., Raymond James & Associates, Inc., M.R. Beal & Company and Edward Jones & Co. L.P. (collectively, the “Underwriters”) have agreed, subject to certain conditions (including the conversion of the Subseries B-4 Bonds), to purchase Issue 2011-B Bonds from THDA at a purchase price of 100% of the principal amount thereof and an initial issue premium with respect to the Issue 2011-B PAC Bonds in the amount of $597,839.55. The Underwriters will be paid a fee in connection with the purchase of the Issue 2011-B Bonds in an amount equal to $292,511.36. The obligations of the Underwriters to purchase the Issue 2011-B Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Issue 2011-B Bonds if any such Issue 2011-B Bonds are purchased. The Underwriters are not acting as placement agents with respect to the Subseries B-4 Bonds and such Subseries B-4 Bonds are not being offered or remarketed hereby.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the 2011-B Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Issue 2011-B Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Bonds.

With respect to the Subseries B-4 Bonds, this Official Statement is deemed to be a supplement to the Official Statement and Private Placement Memorandum of THDA dated December 3, 2009, provided in connection with the delivery of the Issue 2009-B Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ted R. Fellman
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

December 30, 2010
(except for the last paragraph of this
letter which is dated June 23, 2011)

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2010, and June 30, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2010, and June 30, 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued our report dated December 30, 2010, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

The accompanying statements of net assets as of March 31, 2011, and March 31, 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the nine months then ended were not audited by us and, accordingly, we do not express an opinion on them.

Sincerely,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2010 and June 30, 2009. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists people is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2010, THDA has originated over 104,000 single-family mortgage loans in its 37-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher program in approximately 74 of Tennessee's 95 counties, as well as project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at http://tennessee.gov/finance/act/cafr.html.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2010

- Total assets increased by $354.8 million, or 13.9 %.
- Total liabilities increased by $346.0 million, or 16.9%.
- Net assets (the amount that total assets exceeds total liabilities) were $518.8 million. This is an increase of $8.8 million, or 1.7%, from fiscal year 2009.
- Cash and cash equivalents increased $361.0 million, or 251.8%.
- Total investments decreased $139.2 million, or 39.7%.
- Bonds and notes payable increased $344.6 million, or 17.4%.
- THDA originated $344.0 million in new loans, which is an increase of $129.5 million, or 60.4%, from the prior year.

Year Ended June 30, 2009

- Total assets decreased by $45.5 million, or 1.7 %.
- Total liabilities decreased by $63.0 million, or 3.0%.
- Net assets (the amount that total assets exceeds total liabilities) were $510.0 million. This is an increase of $16.2 million, or 3.3%, from fiscal year 2008.
- Cash and cash equivalents decreased $129.0 million, or 47.4%.
- Total investments increased $55.2 million, or 18.6%.
- Bonds and notes payable decreased $65.2 million, or 3.2%.
- THDA originated $214.5 million in new loans, which is a decrease of $233.7 million, or 52.1%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2010	2009	2008
Current assets	$ 397,864	$ 313,017	$ 376,194
Capital assets	79	29	79
Other noncurrent assets	2,516,989	2,247,094	2,230,603
Total assets	2,914,932	2,560,140	2,606,876
Current liabilities	193,765	145,096	165,375
Noncurrent liabilities	2,202,405	1,905,071	1,947,753
Total liabilities	2,396,170	2,050,167	2,113,128
Invested in capital assets	79	29	79
Restricted net assets	514,383	508,036	492,193
Unrestricted net assets	4,300	1,908	1,476
Total net assets	$ 518,762	$ 509,973	$ 493,748

2010 to 2009

- THDA's total net assets increased $8.8 million, or 1.7%, from $510.0 million at June 30, 2009 to $518.8 million at June 30, 2010. This resulted from operating revenues that exceeded operating expenses.

- Mortgage loans receivable increased $116.2 million, or 5.8%, from $1,999.4 million at June 30, 2009 to $2,115.6 million at June 30, 2010. This increase resulted from mortgage loan originations that exceeded mortgage loan prepayments and repayments.

- Total liabilities increased $346.0 million, or 16.9%, from $2,050.2 million at June 30, 2009 to $2,396.2 million at June 30, 2010. The increase is primarily due to a increase in the amount of bonds issued during fiscal year 2010 as compared to fiscal year 2009, primarily, the issuance of bonds in the Housing Finance Program Bonds Resolution.

2009 to 2008

- THDA's total net assets increased $16.2 million, or 3.3%, from $493.8 million at June 30, 2008 to $510.0 million at June 30, 2009. This primarily resulted from an increase in mortgage interest income, and an increase in the fair value of investments. (The amount of net assets as of June 20, 2008 was revised from the amount previously reported as a result of a Prior Period Adjustment. Note 12 of the Notes to the Financial Statements contains full guidance regarding this adjustment.)

- Mortgage loans receivable increased $13.6 million, or 0.7%, from $1,985.8 million at June 30, 2008 to $1,999.4 million at June 30, 2009. This is not a significant change from the prior year.

- Total liabilities decreased $63.0 million, or 3.0%, from $2,113.1 million at June 30, 2008 to $2,050.2 million at June 30, 2009. The decrease is primarily due to a reduction in the amount of bonds issued during fiscal year 2009 as compared to fiscal year 2008, as well as the redemption of $83.1 million of its Single Family Mortgage Notes (please refer to Note 4 of the Notes to the Financial Statements for more information).

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2010	2009	2008
Operating revenues			
Mortgage interest income	$ 118,572	$ 119,500	$ 111,142
Investment income	14,517	17,905	38,756
Other	17,588	14,186	15,751
Total operating revenues	150,677	151,591	165,649
Operating expenses			
Interest expense	93,154	93,103	97,328
Other	32,677	29,931	29,934
Total operating expenses	125,831	123,034	127,262
Operating income	24,846	28,557	38,387
Nonoperating revenues (expenses)			
Grant revenues	254,417	186,800	185,204
Grant expenses	(270,474)	(199,132)	(187,235)
Total nonoperating revenues (expenses)	(16,057)	(12,332)	(2,031)
Change in net assets	$ 8,789	$ 16,225	$ 36,356

2010 to 2009

For the year ended June 30, 2010, total operating revenues decreased $.9 million from $151.6 million for the year ended June 30, 2009, to $150.7 million for the year ended June 30, 2010.

For the year ended June 30, 2010, total operating expenses increased $2.8 million, or 2.3%, from $123.0 million in 2009 to $125.8 million for the year ended June 30, 2010.

While the total net assets for fiscal year 2010 increased $8.8 million from the previous year, the non-monetary change in the fair value of investments contributed $3.8 million toward this increase. When considered without these non-monetary components, net assets would have increased $5.0 million.

2009 to 2008

For the year ended June 30, 2009, total operating revenues decreased $12.8 million from $164.4 million for the year ended June 30, 2008 to $151.6 million for the year ended June 30, 2009. The primary reasons for this decrease are as follows:

- Mortgage interest income increased $8.4 million, or 7.5%, from $111.1 million in 2008 to $119.5 million in 2009. This increase is due to record high origination of new mortgage loans as experienced during FY 2007 and FY 2008.

- Investment income decreased $20.9 million, or 53.8%, from $38.8 million in 2008 to $17.9 million in 2009. This decrease is primarily due to a decrease in the total amount of invested funds during FY 2009 as compared to FY 2008, as well as a decrease in the investment interest rates.

For the year ended June 30, 2009, total operating expenses decreased $4.3 million, or 3.3%, from $127.3 million in 2008 to $123.0 million in 2009. This decrease is primarily due to a decrease in interest expense as a result of debt management practices.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2010	2009	2008
Bonds payable	$ 2,316,748	$ 1,972,561	$ 1,952,295
Notes payable	3,672	3,250	88,720
Total bonds and notes payable	$ 2,320,420	$ 1,975,811	$ 2,041,015

Year Ended June 30, 2010
Total bonds and notes payable increased $344.6 million, or 17.4%, due primarily to an increase in the issuance of THDA's bonds. During the fiscal year, THDA issued debt totaling $551.0 million, with activity arising from four bond issues. During FY 2010, THDA participated in the New Issue Bond Program (NIBP) as established by the United States Treasury Department. Principal redemptions during FY 2010 totaled $203.6 million.

Year Ended June 30, 2009
Total bonds and notes payable decreased $65.2 million, or 3.2%, due primarily to a redemption of THDA's Single Family Mortgage Notes in the amount of $83.1 million. Please see Note 4 (e) for more information regarding this transaction. During the fiscal year, THDA issued debt totaling $267.6 million, with activity arising from four bond issues totaling $220.0 million and one note draw under the single family mortgage note program totaling $44.3 million. In addition, THDA obtained a $3.25 million loan from a local financial institution for the Housing Trust Fund. Principal redemptions decreased $256.1 million, from $584.4 million in FY 2008 to $328.2 million in FY 2009.

New Issue Bond Program (NIBP)

The New Issue Bond Program (NIBP) will provide temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 Million of bonds under the NIBP, which were $60 Million (Bond Issue 2009-A2) and $300 Million (Bond Issue 2009-B1). The $300 Million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, on June 17, 2010, THDA released, re-designed, and converted $85,290,000 of escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds (Bond Issue 2009-B, Subseries B-1).

Considering the investment requirements for the NIBP escrowed bonds as established by the United States Treasury Department, the proceeds of these escrowed bonds are presented on the Statements of Net Assets as Non-Current Assets, Restricted Assets, Cash and Cash Equivalents. Bonds issued under the NIBP have been placed in the Housing Finance Program Bonds resolution.

Bond Ratings

For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

Debt Limits

In accordance with *Tennessee Code Annotated* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During the past few years, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2010	FY 2009	FY 2008 and Prior	Total
Funding Sources:				
THDA	$ 6,000,000	$ 6,000,000	$ 12,000,000	$ 24,000,000
State Appropriation	-	350,000	4,000,000	4,350,000
Totals	**$ 6,000,000**	**$ 6,350,000**	**$ 16,000,000**	**$ 28,350,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 1,400,000	$ 2,800,000
Ramp Program (UCP)	-	-	50,000	50,000
Ramp Program	-	150,000	250,000	400,000
Hsg Modification & Ramp Prg	150,000	-	-	150,000
Homebuyer Education Initiative		-	300,000	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	4,000,000	8,000,000
Competitive Grants	3,150,000	3,500,000	10,000,000	16,650,000
Totals	**$ 6,000,000**	**$ 6,350,000**	**$ 16,000,000**	**$ 28,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

During FY 2009, THDA received a loan of $3.25 million from a local financial institution for the Housing Trust Fund. Likewise, in FY 2010 THDA received a similar loan of $500,000. These funds will be used to fund short-term second mortgages for low income Tennesseans for homeowner rehabilitation. As required by these lending financial institutions, this program is limited to residents in geographic areas as specified by these financial institutions. THDA is actively pursuing additional financial institutions to also join this program throughout the state.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers a below market interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; who are rated at least AA by Standard & Poor's Rating Group; and who provide protection against involuntary job loss at no extra cost to the borrower. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance. The maximum acceptable LTV is 97%.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/singlefamily/hochoices.html.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2010, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,756	657	46,015,708	2.46%
90+ Days Past Due	26,756	1,293	95,704,596	4.83%
In Foreclosure	26,756	136	10,466,566	0.51%

As of June 30, 2009, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,914	778	54,242,587	3.00%
90+ Days Past Due	25,914	1,452	103,219,318	5.60%
In Foreclosure	25,914	154	11,243,068	0.59%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
(Expressed in Thousands)

	March 31, 2011 (Unaudited)	March 31, 2010 (Unaudited)	June 30, 2010	June 30, 2009
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	$ 303,613	$ 408,177	$ 270,188	$ 132,294
Investments (Note 2)	-	12,042	14,579	88,217
Receivables:				
Accounts	31,983	22,915	28,463	20,957
Interest	12,556	14,349	13,258	13,794
First mortgage loans	49,236	46,715	48,601	44,135
Other	-	-	-	123
Due from federal government	10,991	11,169	22,775	13,497
Total current assets	408,379	515,367	397,864	313,017
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents (Note 2)	8,226	3,194	234,268	11,115
Investments (Note 2)	198,230	189,767	181,751	183,261
Investment interest receivable	3,340	2,973	2,169	1,956
Investments (Note 2)	30,308	68,819	15,643	79,738
First mortgage loans receivable	2,063,269	2,031,453	2,066,997	1,955,274
Deferred charges	12,543	12,922	13,209	12,822
Advance to local government	2,978	2,946	2,952	2,928
Capital assets:				
Furniture and equipment	346	238	346	238
Less accumulated depreciation	(267)	(209)	(267)	(209)
Total noncurrent assets	2,318,973	2,312,103	2,517,068	2,247,123
Total assets	2,727,352	2,827,470	2,914,932	2,560,140
LIABILITIES				
Current liabilities:				
Warrants / wires payable (Note 3)	14,596	13,541	8,297	12,450
Accounts payable	2	2	6,617	1,975
Accrued payroll and related liabilities	-	-	443	392
Compensated absences	494	515	494	515
Interest payable	21,474	23,907	47,267	47,990
Escrow deposits	502	517	585	643
Prepayments on mortgage loans	1,819	2,041	1,862	1,808
Bonds payable (Note 4)	107,005	50,600	128,200	79,315
Deferred revenue	-	-	-	8
Total current liabilities	145,892	91,123	193,765	145,096
Noncurrent liabilities:				
Notes payable (Note 4)	3,591	3,688	3,672	3,250
Bonds payable (Note 4)	2,056,683	2,211,262	2,188,548	1,893,246
Compensated absences	451	557	451	557
Net OPEB obligation (Note 9)	794	602	794	602
Escrow deposits	4,196	4,484	4,393	4,241
Arbitrage rebate payable	434	3,775	4,547	3,146
Deferred revenue	-	28	-	29
Total noncurrent liabilities	2,066,149	2,224,396	2,202,405	1,905,071
Total liabilities	2,212,041	2,315,519	2,396,170	2,050,167
NET ASSETS				
Invested in capital assets	79	28	79	29
Restricted for single family bond programs (Note 5 and Note 7)	500,982	499,984	504,955	492,973
Restricted for grant programs (Note 5)	11,096	8,689	6,274	11,909
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,154	3,154	3,154	3,154
Unrestricted (Note 7)	-	97	4,300	1,908
Total net assets	$ 515,311	$ 511,952	$ 518,762	$ 509,973

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2011 (Unaudited)	For the Nine Months Ended March 31, 2010 (Unaudited)	For the Year Ended June 30, 2010	For the Year Ended June 30, 2009
OPERATING REVENUES				
Mortgage interest income	$ 90,440	$ 89,167	$ 118,572	$ 119,500
Investment income:				
Interest	8,275	9,545	12,846	15,344
Net increase (decrease) in the fair value of investments	(6,633)	(3,141)	1,671	2,561
Federal grant administration fees	8,298	7,253	15,136	11,770
Fees and other income	2,134	2,575	2,452	2,416
Total operating revenues	102,514	105,399	150,677	151,591
OPERATING EXPENSES				
Salaries and benefits	11,071	9,947	13,841	13,743
Contractual services	1,688	1,998	3,315	2,624
Materials and supplies	159	301	321	527
Rentals and insurance	47	45	90	1,212
Other administrative expenses	347	364	502	639
Other program expenses	8,794	3,571	6,433	3,140
Interest expense	65,762	69,025	93,154	93,103
Mortgage service fees	5,725	5,531	7,394	7,303
Issuance costs	529	531	723	693
Depreciation	-	-	58	50
Total operating expenses	94,122	91,313	125,831	123,034
Operating income	8,392	14,086	24,846	28,557
NONOPERATING REVENUES (EXPENSES)				
Federal grants revenue	277,776	176,364	253,712	185,092
Other grant revenue	-	380	-	-
Payment from primary government	-	-	705	1,358
Federal grants expenses	(279,243)	(176,107)	(253,605)	(189,042)
Local grants expenses	(10,376)	(12,744)	(16,869)	(10,090)
Total nonoperating revenues (expenses)	(11,843)	(12,107)	(16,057)	(12,332)
Change in net assets	(3,451)	1,979	8,789	16,225
Total net assets, July 1	518,762	509,973	509,973	492,462
Prior Period Adjustment (Note 12)	-	-	-	1,286
Total net assets, July 1, as restated	518,762	509,973	509,973	493,748
Total net assets, End of period	$ 515,311	$ 511,952	$ 518,762	$ 509,973

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2011 (Unaudited)	For the Nine Months Ended March 31, 2010 (Unaudited)	For the Year Ended June 30, 2010	For the Year Ended June 30, 2009
Cash flows from operating activities:				
Receipts from customers	$ 265,197	$ 252,700	$ 338,749	$ 303,583
Receipts from federal government	8,298	3,973	15,117	6,187
Other miscellaneous receipts	2,134	2,698	2,575	2,406
Acquisition of mortgage loans	(174,130)	(244,752)	(344,054)	(214,506)
Payments to service mortgages	(5,725)	(5,531)	(7,394)	(7,303)
Payments to suppliers	(16,564)	(9,845)	(11,543)	(10,565)
Payments to federal government	(4,113)	128	128	-
Payments to employees	(11,773)	(10,134)	(13,422)	(12,763)
Net cash provided (used) by operating activities	63,324	(10,763)	(19,844)	67,039
Cash flows from non-capital financing activities:				
Operating grants received	289,560	182,352	245,158	192,088
Negative cash balance implicitly financed (paid)	6,299	1,091	(4,153)	4,825
Proceeds from sale of bonds	161,436	475,531	550,973	219,678
Proceeds from issuance of notes	-	500	500	47,580
Operating grants paid	(294,373)	(189,347)	(266,217)	(199,518)
Cost of issuance paid	(1,508)	(1,621)	(2,237)	(2,142)
Principal payments	(310,450)	(182,992)	(203,603)	(328,245)
Interest paid	(91,414)	(92,992)	(93,775)	(93,553)
Net cash provided (used) by non-capital financing activities	(240,450)	192,522	226,646	(159,287)
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	-	(108)	-
Net cash used by capital and related financing activities	-	-	(108)	-
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	233,176	325,304	450,136	378,527
Purchases of investments	(256,506)	(247,869)	(309,431)	(432,090)
Investment interest received	7,708	8,799	13,557	15,868
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	131	12	91	963
Net cash provided (used) by investing activities	(15,491)	86,246	154,353	(36,732)
Net increase (decrease) in cash and cash equivalents	(192,617)	268,005	361,047	(128,980)
Cash and cash equivalents, July 1	504,456	143,409	143,409	272,389
Cash and cash equivalents, End of period	$ 311,839	$ 411,414	$ 504,456	$ 143,409

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2011 (Unaudited)	For the Nine Months Ended March 31, 2010 (Unaudited)	For the Year Ended June 30, 2010	For the Year Ended June 30, 2009
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	$ 8,392	$ 14,086	$ 24,846	$ 28,557
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	529	531	781	743
Changes in assets and liabilities:				
(Increase) in accounts receivable	(3,520)	(1,958)	(7,506)	(11,196)
(Increase) decrease in mortgage interest receivable	96	(825)	(269)	(1,823)
(Increase) decrease in first mortgage loans receivable	3,067	(78,777)	(116,213)	(13,641)
(Increase) in due from federal government	-	(3,280)	(19)	(5,658)
(Increase) in deferred charges	(2,619)	(2,385)	(2,237)	(2,232)
(Increase) decrease in other receivables	-	123	123	(10)
Increase (decrease) in accounts payable	(2,185)	(1,127)	533	(4,085)
Increase (decrease) in accrued payroll / compensated absences	(443)	(392)	116	487
(Decrease) in due to primary government	-	-	-	(3)
(Decrease) in deferred revenue	-	(9)	(37)	(190)
Increase (decrease) in arbitrage rebate liability	(4,113)	629	1,401	892
Investment income included as operating revenue	(1,642)	(6,404)	(14,517)	(17,905)
Interest expense included as operating expense	65,762	69,025	93,154	93,103
Total adjustments	54,932	(24,849)	(44,690)	38,482
Net cash provided (used) by operating activities	$ 63,324	$ (10,763)	$ (19,844)	$ 67,039
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	(5,750)	(1,873)	3,789	1,713
Total noncash investing, capital, and financing activities	$ (5,750)	$ (1,873)	$ 3,789	$ 1,713

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, approves its operating budget, and provides some financial support. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both

restricted and unrestricted resources are available for use, generally it is the agency's policy to use restricted resources first.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds. The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

f. Bond Issuance Costs and Refunding Costs

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond and Note Refunding Costs: The agency amortizes bond and note refunding costs using the straight-line method. Bonds and notes payable are reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

4. Mortgage Discount: Discounts on 30-year mortgage loans purchased by the agency are amortized using the straight-line method over 17 years, the estimated average life of mortgages. The amount amortized is credited to interest income.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At March 31, 2011, the bank balance was $10,664,461. At March 31, 2010, the bank balance was $770,076. At June 30, 2010, the bank balance was $533,214. At June 30, 2009, the bank balance was $1,404,893. All bank balances were insured. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report may be obtained by writing to the Tennessee Department of the Treasury, 502 Deaderick Street, Nashville, Tennessee 37243-0225, or by calling (615) 741-2956.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	March 31, 2011		**March 31, 2010**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$140,895,986	2.462	$169,715,354	1.890
U.S. Agency Discount	0	NA	24,990,313	0.247
U.S. Treasury Coupon	87,709,719	5.353	87,199,962	5.942
U.S. Treasury Discount	154,845,451	0.016	300,011,318	0.019
Repurchase Agreements	65,000,000	0.038	55,000,000	0.060
Total	$448,451,156	1.832	$636,916,947	1.087

	June 30, 2010		June 30, 2009	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$110,758,327	1.464	$200,097,788	1.369
U.S. Agency Discount	40,000,000	0.000	60,948,600	0.255
U.S. Treasury Coupon	91,214,027	5.898	88,406,383	6.428
U.S. Treasury Discount	214,769,030	0.000	0	NA
Repurchase Agreements	124,000,000	0.005	80,000,000	0.000
Pass Through Securities	0	NA	1,763,903	0.120
Total	$580,741,384	1.030	$431,216,674	1.753

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on December 30, 2008. Although these securities were scheduled to mature on December 30, 2010, these bonds were called on December 30, 2009. The fair value of these securities on June 30, 2009, was $3,019,689 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.8125 of par on January 28, 2009. Although these securities were scheduled to mature on July 28, 2014, these bonds were called on April 28, 2010. The fair value of these securities on June 30, 2009, was $1,970,000 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.84375 of par on January 30, 2009. Although these securities were scheduled to mature on January 30, 2014, these bonds were called on October 30, 2009. The fair value of these securities on June 30, 2009, was $2,000,626 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.6875 of par on April 17, 2009, and mature on April 17, 2024. The fair value of these securities on June 30, 2010, was $2,001,594, and on June 30, 2009, was $1,919,972 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 5.0% on April 17, 2012, to 6.0% on April 17, 2015, to 7.0% on April 17, 2018, and to 9.0% on April 17, 2021. This investment is callable quarterly beginning on October 17, 2009, and ending on January 17, 2024.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 13, 2009. Although these securities were scheduled to mature on May 13, 2010, these bonds were called on November 13, 2009. The fair value of these securities on June 30, 2009, was $5,000,157 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 100.302 of par on May 20, 2009. Although these securities were scheduled to mature on March 13, 2023, these bonds were called on September 13, 2009. The fair value of these securities on June 30, 2009, was $1,004,756 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on May 26, 2009. Although these securities were scheduled to mature on May 26, 2017, these bonds were called on May 26, 2010. The fair value of these securities on June 30, 2009, was $1,975,912 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,720,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.9687538 of par on May 28, 2009. Although these securities were scheduled to mature on May 28, 2014, these bonds were called on November 28, 2009. The fair value of these securities on June 30, 2009, was $3,679,314 which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 19, 2009. Although these securities were scheduled to mature on June 15, 2010, these bonds were called on December 15, 2009. The fair value of these securities on June 30, 2009, was $5,003,125 which is included in U.S. Agency Coupon in the table above.

The agency purchased $425,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 100.96 of par on June 19, 2009. Although these securities were scheduled to mature on October 15, 2013, these bonds were called on October 15, 2009. The fair value of these securities on June 30, 2009, was $429,287 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 24, 2009. Although these securities were scheduled to mature on June 24, 2014, these bonds were called on December 24, 2009. The fair value of these securities on June 30, 2009, was $2,000,626 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,865,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on November 12, 2009, and mature on November 12, 2024. The fair value of these securities on June 30, 2010, is $1,871,995 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 4.00% with a step-up option to 5.0% on November 12, 2013, to 6.5% on November 12, 2016, to 8.0% on November 12, 2018, to 9.0% on November 12, 2020, and to 10.0% on November 12, 2022. This investment is callable quarterly beginning on May 12, 2010, and ending on August 12, 2024.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 6, 2010, and mature on January 6, 2025. The fair value of these securities on June 30, 2010, is $5,001,563 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 6.5% on July 6, 2010. This investment is callable quarterly beginning on July 6, 2010, and ending on October 6, 2024.

The agency purchased $2,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.50 of par on January 28, 2010, and mature on January

28, 2025. The fair value of these securities on June 30, 2010, is $2,532,933 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 4.25% with a step-up option to 5.0% on January 28, 2015 and to 7.0% on January 28, 2020. This investment is callable quarterly beginning on January 28, 2011, and ending on October 28, 2024.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 27, 2010, and mature on November 27, 2015. The fair value of these securities on June 30, 2010, is $1,011,875 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 3.0% on May 27, 2012, to 4.0% on May 27, 2013, to 5.0% on May 27, 2014, and to 6.0% on May 27, 2015. This investment is callable quarterly beginning on May 27, 2011, and ending on August 27, 2015.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.75 of par on August 26, 2010, and mature on August 26, 2022. The fair value of these securities on March 31, 2011, is $1,463,013 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.25% on August 26, 2013, to 3.5% on August 26, 2016, to 4.0% on August 26, 2019, to 6.0% on August 26, 2020, and to 8.0% on August 26, 2021. This investment is callable quarterly beginning on August 26, 2011, and ending on November 26, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.73 of par on September 30, 2010, and mature on September 30, 2015. The fair value of these securities on March 31, 2011, is $1,974,202 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.125% with a step-up option to 2.5% on September 30, 2012. This investment is callable quarterly beginning on March 30, 2011, and ending on September 30, 2012.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on September 29, 2010, and mature on September 29, 2025. The fair value of these securities on March 31, 2011, is $1,973,232 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on September 29, 2011, to 3.0% on September 29, 2012 and to 6.0% on September 29, 2013. This investment is callable quarterly beginning on December 29, 2010, and ending on December 29, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.55 of par on August 4, 2010, and mature on August 4, 2025. The fair value of these securities on March 31, 2011, is $1,935,190 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.5% on August 4. 2013, to 4.0% on August 4. 2016, to 5.0% on August 4. 2019, to 6.0% on August 4. 2021, to 7.0% on August 4. 2023, and to 8.0% on August 4. 2024. This investment is callable quarterly beginning on February 4, 2011 and ending on February 4, 2013.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 23, 2010, and mature on November 27, 2015. The fair value of these securities on March 31, 2011, is $1,003,237 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 3.0% on May 27, 2012, to 4.0% on May 27, 2013, to 5.0% on May 27, 2014, and to 6.0% on May 27, 2015. This investment is callable quarterly beginning on May 27, 2011 and ending on May 27, 2014.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 22, 2010, and mature on December 22, 2025. The fair value of these securities on March 31, 2011, is $3,958,524 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 4.0% on June 22, 2011, and to 6.0% on December 22, 2015. This investment is callable quarterly beginning on June 22, 2011 and ending on December 22, 2012.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on September 30, 2010, and mature on September 30, 2020. The fair value of these securities on March 31, 2011, is $1,990,364 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.5% on March 31, 2011, and to 4.0% on September 30, 2011. This investment is callable quarterly beginning on March 30, 2011 and ending on December 20, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on October 15, 2010, and mature on October 15, 2025. The fair value of these securities on March 31, 2011, is $1,971,084 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on October 15, 2011, to 5.0% on October 15, 2015, and to 6.0% on October 15, 2020. This investment is callable quarterly beginning on April 15, 2011 and ending on July 15, 2025.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 17, 2011, and mature on June 23, 2025. The fair value of these securities on March 31, 2011, is $2,004,332 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 6.0% on June 23, 2012. This investment is callable quarterly beginning on March 23, 2011 and ending on December 23, 2013.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on January 28, 2026. The fair value of these securities on March 31, 2011, is $2,983,545 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 5.0% on January 28, 2013, and to 6.0% on January 28, 2016. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 9, 2011, and mature on February 9, 2021. The fair value of these securities on March 31, 2011, is $2,992,668 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on February 9, 2013. This investment is callable quarterly beginning on August 9, 2011 and ending on November 9, 2013.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on July 28, 2016. The fair value of these securities on March 31, 2011, is $1,002,428 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on January 28, 2014. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 16, 2011, and mature on February 16, 2021. The fair value of these securities on March 31, 2011, is $4,001,584 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 4.0% on August 16, 2011, and to 6.0% on February 16, 2016. This investment is callable quarterly beginning on August 16, 2011 and ending on February 16, 2014.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of March 31, 2011, March 31, 2010, June 30, 2010 and June 30, 2009 are included in the schedules below. Securities are rated using Standard and Poor's and / or Moody's and are presented below using the Standard and Poor's rating scale.

March 31, 2011

		U.S.	Credit Quality Rating		
Investment Type	**Fair Value**	**Treasury / Agency[1]**	**AAA**	**AA-2**	**Not Rated[3]**
U.S. Agency Coupon	$140,895,986		$135,164,610	$5,102,771	$628,605
U.S. Treasury Coupon	87,709,719	$87,709,719			
U.S. Treasury Discount	154,845,452	154,845,452			
Repurchase Agreements	65,000,000				65,000,000
Total	$448,451,157	$242,555,171	$135,164,610	$5,102,771	$65,628,605

March 31, 2010

		U.S.	Credit Quality Rating				
Investment Type	**Fair Value**	**Treasury / Agency[1]**	**AAAm**	**AAA**	**AA-2**	**A-1+[2]**	**Not Rated[3]**
U.S. Agency Coupon	$169,715,354			$161,160,843	$5,111,953		$3,442,558
U.S. Agency Discount	24,990,313					$24,990,313	
U.S. Treasury Coupon	87,199,962	$87,199,962					
U.S. Treasury Discount	300,011,318	300,011,318					
Repurchase Agreements	55,000,000			30,000,000			25,000,000
Money Market Mutual Fund	37,281,279		$37,281,279				
Total	$674,198,226	$387,211,280	$37,281,279	$191,160,843	$5,111,953	$24,990,313	$28,442,558

[1] Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

June 30, 2010						
		U.S. Treasury / Agency[1]	**Credit Quality Rating**			
Investment Type	**Fair Value**		**AAA**	**AA-2**	**A-1+**[2]	**Not Rated**[3]
U.S. Agency Coupon	$110,758,327		$104,877,194	$5,226,172		$654,961
U.S. Agency Discount	40,000,000				$40,000,000	
U.S. Treasury Coupon	91,214,027	$91,214,027				
U.S.Treasury Discount	214,769,030	214,769,030				
Repurchase Agreements	124,000,000					124,000,000
Total	$580,741,384	$305,983,057	$104,877,194	$5,226,172	$40,000,000	$124,654,961

June 30, 2009							
		U.S. Treasury / Agency[1]	**Credit Quality Rating**				
Investment Type	**Fair Value**		**AAAm**	**AAA**	**A-1+**[2]	**AA-2**	**Not Rated**[3]
U.S. Agency Coupon	$200,097,788			$161,726,533		$4,940,625	$33,430,630
U.S. Agency Discount	60,948,600			29,949,000	$30,999,600		
U.S. Treasury Coupon	88,406,383	$88,406,383					
Repurchase Agreements	80,000,000						80,000,000
Pass Through Securities	1,763,903						1,763,903
Money Market Mutual Fund	58,869,923		$58,869,923				
Total	$490,086,597	$88,406,383	$58,869,923	$191,675,533	$30,999,600	$4,940,625	$115,194,533

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	March 31, 2011		**March 31, 2010**	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	NA	NA	$59,732,925	8.43
Federal Home Loan Mortgage Corp	NA	NA	NA	NA
Federal National Mortgage Assoc	$87,881,106	19.60	$97,212,845	13.41
Repurchase Agreements – U.S. Agency	$65,000,000	14.49	$55,000,000	7.75

[1] Includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

	June 30, 2010		June 30, 2009	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$51,165,877	8.81	$63,689,474	14.72
Federal Home Loan Mortgage Corp	NA	N/A	$42,228,984	9.77
Federal National Mortgage Assoc	$73,222,727	12.61	$143,051,399	33.33
Repurchase Agreements – U.S. Agency	$124,000,000	21.35	$80,000,000	18.61

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2011	Ending Balance 3/31/2010	Ending Balance 6/30/2010	Ending Balance 6/30/2009
MORTGAGE FINANCE PROGRAM BONDS							
2003A	7/1/2004-7/1/2034	191,885	1.70 to 5.35	$78,665	$93,060	$93,060	$107,865
Less: Deferred Amount on Refundings				(2,617)	(2,768)	(2,730)	(2,882)
Net Mortgage Finance Program Bonds				$76,048	$90,292	$90,330	$104,983

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2011	Ending Balance 3/31/2010	Ending Balance 6/30/2010	Ending Balance 6/30/2009
HOMEOWNERSHIP PROGRAM BONDS							
1996-3	7/1/99-7/1/2028	65,000	4.30 to 6.00	$ -0-	$6,550	$ -0-	$7,570
1996-5	7/1/99-7/1/2028	60,000	3.85 to 5.75	-0-	17,480	17,480	19,030
1997-1	7/1/99-7/1/2028	57,885	4.00 to 5.40	-0-	17,285	17,285	19,320
1997-2	7/1/2000-7/1/2029	50,000	3.20 to 5.20	-0-	11,450	11,450	13,410
1998-1	7/1/2001-7/1/2030	50,000	3.95 to 5.40	-0-	11,885	11,885	13,730
1998-2	7/1/2000-7/1/2029	30,000	4.00 to 5.375	-0-	5,625	5,625	6,335
1998-3	7/1/2000-7/1/2031	80,000	3.70 to 6.15	-0-	13,355	13,355	15,835
1999-1	7/1/2001-7/1/2031	41,000	3.95 to 6.25	-0-	5,850	5,850	6,555
1999-2	7/1/2001-7/1/2031	150,000	4.25 to 5.70	-0-	17,150	17,150	21,565
1999-3	7/1/2001-7/1/2031	110,000	4.30 to 6.15	-0-	14,045	-0-	21,025
2000-2	7/1/2001-7/1/2031	110,000	5.00 to 7.93	-0-	16,290	16,290	20,460
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	57,570	61,045	61,045	63,830
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	18,525	21,255	21,255	23,655
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	16,785	19,855	19,855	22,675
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	25,800	29,115	29,115	32,240
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	29,280	33,865	33,865	38,880
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	20,415	23,145	23,145	26,285
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	29,145	32,615	32,615	36,285
2003-3	7/1/2004-1/1/2034	75,000	1.20 to 5.00	33,800	38,555	38,555	43,025
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	40,730	46,495	46,495	51,555
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	53,850	60,715	60,715	68,135
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	56,675	64,665	64,665	71,445
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	65,500	72,745	72,745	80,495

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2011	Ending Balance 3/31/2010	Ending Balance 6/30/2010	Ending Balance 6/30/2009
HOMEOWNERSHIP PROGRAM BONDS							
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	65,610	75,235	75,235	83,990
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	70,190	79,910	79,910	87,630
2006-2	7/1/2007–1/1/2037	100,000	3.90 to 5.75	66,085	76,240	76,240	86,720
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	73,300	83,515	83,515	91,055
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	78,210	87,615	87,615	93,915
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	96,925	107,360	107,360	114,185
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	117,670	131,330	131,330	142,555
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	122,005	135,560	135,560	143,855
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	49,180	53,810	53,810	58,965
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	39,315	45,040	45,040	50,000
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	71,570	82,595	82,595	90,000
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	24,860	29,390	29,390	30,000
2009-1	1/1/2010-7/1/2029	50,000	1.00 to 5.00	47,695	49,450	49,450	50,000
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	71,135	75,000	75,000	-0-
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	119,835	-0-	-0-	-0-
Total Homeownership Program Bonds		$3,194,555		$1,561,660	$1,753,085	$1,732,490	$1,846,210
Plus: Unamortized Bond Premiums				16,876	21,894	21,689	25,377
Less: Deferred Amount on Refundings				(2,469)	(3,410)	(3,086)	(4,009)
Net Homeownership Program Bonds				$1,576,067	$1,771,569	$1,751,093	$1,867,578

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 3/31/2011	Ending Balance 3/31/2010	Ending Balance 6/30/2010	Ending Balance 6/30/2009
HOUSING FINANCE PROGRAM BONDS							
2009-A	1/1/2011-1/1/2040	100,000	0.900 to 4.625	$98,475	$100,000	$100,000	$-0-
2009-B	7/1/2041	300,000	Variable	154,710	300,000	214,710	-0-
2010-A	1/1/2011-7/1/2041	74,710	0.60 to5.00	157,080	-0-	160,000	-0-
2010-B	7/1/2011-7/1/2041	40,000	.045 to 4.50	100,000	-0-	-0-	-0-
Total Housing Finance Program Bonds		$514,710		$510,265	$400,000	$474,710	$-0-
Plus: Unamortized Bond Premiums				1,417	-0-	730	-0-
Less: Deferred Amount on Refundings				(109)	-0-	(115)	-0-
Net Housing Finance Program Bonds				$511,573	-0-	$475,325	-0-
Net Total All Issues				$2,163,688	$2,261,861	$2,316,748	$1,972,561

The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA may release funds from issue 2009-B up to three times before December 31, 2010.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000 which is in the ending balance at June 30, 2010 column.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000 which is in the ending balance at December 31, 2010 column.

The interest rate on the 2009-B bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2010 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2011	$269,962	$92,960	$362,922
2012	45,635	86,458	132,093
2013	42,210	84,986	127,196
2014	43,245	83,499	126,744
2015	44,640	81,861	126,501
2016 – 2020	197,848	381,358	579,206
2021 – 2025	249,383	336,647	586,030
2026 – 2030	273,457	270,967	544,424
2031 – 2035	270,933	208,491	479,424
2036 – 2040	585,366	97,301	682,667
2041 - 2042	300,000	5,066	305,066
Total	$2,322,679	$1,729,594	$4,052,273

The debt principal in the preceding table is $5,931,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the nine months ended March 31, 2011, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $8,875,000, in the Homeownership Program in the amount of $262,580,000 and in the Housing Finance program in the amount of $2,825,000. The respective carrying values of the bonds were $8,839,112, $265,239,578 and $2,815,573. This resulted in an expense to the Mortgage Finance Program of $35,888 and to the Housing Finance Program of $9,427 and in income to the Homeownership Program of $2,659,578.

On October 13, 2010, the agency issued $120,700,000 in Homeownership Program Bonds, Issue 2010-1. On November 1, 2010, the agency used $99,835,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $99,835,000 early redemption). The carrying amount of these bonds was $99,371,651. The refunding resulted in a difference of $463,349 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $22,227,781 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $10,476,679.

During the nine months ended March 31, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $148,030,000. The respective carrying values of the bonds were $10,651,667 and $150,460,729. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,430,729.

During the year ended June 30, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $168,625,000. The respective carrying values of the bonds were $10,651,667 and $170,939,715. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,314,715.

On June 17, 2010, the agency issued $74,710,000 in Housing Finance Program Bonds, Issue 2010-A. On June 17, 2010, the agency used $20,595,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $20,595,000 early redemption). The carrying amount of these bonds was $20,478,986. The refunding resulted in a difference of $116,014 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $5,910,703 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,812,047.

During the year ended June 30, 2009, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11,245,000 and in the Homeownership Program in the amount of $107,985,000. The respective carrying values of the bonds were $11,187,700 and $110,279,862. This resulted in an expense to the Mortgage Finance Program of $57,300 and in income to the Homeownership Program of $2,294,862.

On July 1, 2008, a fourth drawdown was made on the Series 2007 CN-1 Notes in the amount of $44,330,000. These proceeds were used on the same day to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $35,785,000 early redemption and $8,545,000 current maturities). The carrying amount of these bonds was $45,277,489. The refunding resulted in a difference of $947,489 between the reacquisition price and the net carrying amount of the old debt. Because notes were used to refund long-term bonds, neither the change in debt service nor the economic gain or loss disclosures are appropriate.

On August 7, 2008, the agency issued $50,000,000 in Homeownership Bonds, Issue 2008-2. On August 14, 2008, the agency used these bonds to refund the convertible drawdown notes, 2007 CN-1, which were used November 1, 2007, January 2, 2008, and July 1, 2008 to refund certain bonds previously issued in the Mortgage Finance and Homeownership programs. The refunding increased the agency's debt service by $20,171,444 over the next 14 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $1,628,880.

On December 18, 2008, the agency issued $30,000,000 in Homeownership Bonds, Issue 2008-4. On January 2, 2009, the agency used $4,820,000 of these bonds to refund bonds previously issued in the Mortgage Finance Program and the Homeownership Program (this amount consists of $675,000 early redemption and $4,145,000 current maturities). The carrying amount of these bonds was $4,814,144. The refunding resulted in a difference of $5,856 between the reacquisition price and the net carrying amount of the old debt. The refunding increased the agency's debt service by $2,590,125 over the next 10.5 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of $51,209.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the nine months ended March 31, 2011.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance March 31, 2011	Amounts Due Within One Year
Notes Payable	$3,672	$-0-	($81)	$3,591	$-0-
Bonds Payable	2,300,260	220,700	(370,370)	2,150,590	107,005
Plus: Unamortized Bond Premiums	22,419	736	(4,862)	18,293	-0-
Less: Deferred Amount on Refundings	(5,931)	(7)	743	(5,195)	-0-
Compensated Absences	945	-0-	(-0-)	945	494
Net OPEB Obligation	794	-0-	-0-	794	-0-
Escrow Deposits	4,978	613	(893)	4,698	502
Arbitrage Rebate Payable	4,547	1,769	(5,882)	434	-0-
Deferred Revenue	-0-	939	(939)	-0-	-0-
Total	$2,331,684	$224,750	($382,284)	$2,174,150	$108,001

The following table is a summary of the long-term liability activity for the nine months ended March 31, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance March 31, 2010	Amounts Due Within One Year
Notes Payable	$3,250	$500	($62)	$3,688	$-0-
Bonds Payable	1,954,075	475,000	(182,930)	2,246,145	50,600
Plus: Unamortized Bond Premiums	25,377	532	(4,015)	21,894	-0-
Less: Deferred Amount on Refundings	(6,891)	(6)	720	(6,177)	-0-
Compensated Absences	1,072	-0-	(-0-)	1,072	515
Net OPEB Obligation	602	-0-	-0-	602	-0-
Escrow Deposits	4,884	2,495	(2,378)	5,001	517
Arbitrage Rebate Payable	3,146	967	(338)	3,775	-0-
Deferred Revenue	37	56	(65)	28	-0-
Total	$1,985,552	$479,544	($189,068)	$2,276,028	$51,632

The following table is a summary of the long-term liability activity for the year ended June 30, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Notes Payable	$3,250	$500	($78)	$3,672	$-0-
Bonds Payable	1,954,075	549,710	(203,525)	2,300,260	128,200
Plus: Unamortized Bond Premiums	25,377	1,263	(4,221)	22,419	-0-
Less: Deferred Amount on Refundings	(6,891)	(125)	1,085	(5,931)	-0-
Compensated Absences	1,072	117	(244)	945	494
Net OPEB Obligation	602	235	(43)	794	-0-
Escrow Deposits	4,884	4,535	(4,441)	4,978	585
Arbitrage Rebate Payable	3,146	2,043	(642)	4,547	-0-
Deferred Revenue	37	76	(113)	-0-	-0-
Total	$1,985,552	$558,354	($212,222)	$2,331,684	$129,279

The following table is a summary of the long-term liability activity for the year ended June 30, 2009.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Notes Payable	$88,720	$47,580	($133,050)	$3,250	$-0-
Bonds Payable	1,929,270	220,000	(195,195)	1,954,075	79,315
Plus: Unamortized Bond Premiums	30,439	-0-	(5,062)	25,377	-0-
Less: Deferred Amount on Refundings	(7,414)	(426)	949	(6,891)	-0-
Compensated Absences	888	184	(-0-)	1,072	515
Net OPEB Obligation	281	449	(128)	602	-0-
Escrow Deposits	8,249	1,223	(4,588)	4,884	643
Arbitrage Rebate Payable	2,254	1,005	(113)	3,146	-0-
Deferred Revenue	227	294	(484)	37	8
Total	$2,052,914	$270,309	($337,671)	$1,985,552	$80,481

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the “Trust Indenture”), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

The following table is a summary of the drawdown note activity for the year ended June 30, 2009.

NOTES ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity	Stated Principal	Interest Rate (Percent)	Beginning Balance 7/01/2008	Additions	Reductions	Ending Balance 6/30/2009
SINGLE FAMILY MORTGAGE NOTES							
2007CN-1	8/12/2010	$ 450,000	0.000 to 4.822	$88,720	$44,330	$(133,050)	$-0-

There was no drawdown activity during the nine months ended March 31, 2010 and during the year ended June 30, 2010.

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 at 3% for the Preserve Loan Program, which is part of the Housing Trust Fund. Principal and interest are paid monthly with the principal maturing on August 4, 2012.

The activity of the 2007CN-1 notes shown above as well as the promissory note are also included in the summary of long-term liability activity in part d. of this note.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provides temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2009, after which the notes were to be available to reissue. Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency was allowed to hold its outstanding notes purchased from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2010, however the notes matured on August 12, 2010.
In accordance with the Financial Accounting Standards Board Statement 76 Paragraph 3, the outstanding notes were not recorded for financial reporting purposes.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 502 Deaderick Street, Nashville, Tennessee, 37243-0201 or by calling (615) 741-7063.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 13.02% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were $1,295,272, $1,201,303, and $1,297,298. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2009, and June 30, 2008, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-201 for the state plan and *TCA* 8-27-701 for the Medicare Supplement Plan. Prior to reaching age 65, retirees may participate in the State Employee Group Plan. Members of this plan have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. The POS and HMO options will no longer be available to members after January 1, 2011. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243, or by calling (615) 741-2140.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the

Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy. The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2010	June 30, 2009
Annual Required Contribution (ARC)	$351	$448
Interest on the Net OPEB Obligation	25	13
Adjustment to the ARC	(24)	(12)
Annual OPEB cost	352	449
Amount of contribution	(160)	(128)
Increase in Net OPEB Obligation	192	321
Net OPEB obligation-beginning of year	602	281
Net OPEB obligation-end of year	$794	$602

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2008	State Employee Group Plan	$ 443	37%	$ 281
6/30/2009	State Employee Group Plan	$ 449	29%	$ 602
6/30/2010	State Employee Group Plan	$ 352	45%	$ 794

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2009, was as follows (Thousands):

Actuarial valuation date	7/01/2009
Actuarial accrued liability (AAL)	$ 3,629
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 3,629
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,238
UAAL as a percentage of covered payroll	39%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6 percent initially, increased to 10 percent in the second year and then reduced by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2010, the State of Tennessee made payments of $2,657 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2009, made payments of $2,528. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243, or by calling (615) 741-2140.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency’s Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. PRIOR – PERIOD ADJUSTMENT

For the years ended June 30, 2008 and June 30, 2009, the agency recorded federal administrative fee revenue on a cash basis instead of on an accrual basis. Therefore, the agency is restating its FY 2009 statements and effecting a prior period adjustment for FY 2008 for these fees.

For the year ended June 30, 2008, revenue in the amount of $1,286,244 was earned on or before June 30, 2008, but received on or after July 1, 2008. This revenue was recorded as an increase to cash and a recognition of revenue for the year ended June 30, 2009. If correctly recorded, this would have resulted in an increase to accounts receivable and recognition of revenue for the year ended June 30, 2008, and an increase to cash and a decrease to accounts receivable for the year ended June 30, 2009. As this error was made in a financial year prior to the comparative year, the opening Net Assets amount as of July 1, 2008 was increased by $1,286,244.

For the year ended June 30, 2009, revenue in the amount of $1,907,676 was earned on or before June 30, 2009, but received on or after July 1, 2009. If correctly recorded, this revenue would have resulted in an increase to accounts receivable and recognition of revenue for the year ended June 30, 2009.

The following financial statement line items for the year ended June 30, 2009 were affected by the correction of an error in previously issued financial statements on accrued federal administration fee revenue (expressed in thousands):

	As Originally reported	As Adjusted	Effect of change
Statements of net assets			
As of June 30, 2009			
Assets			
Current Assets			
Due from federal government	$11,589	$13,497	$1,908
Net Assets			
Unrestricted	$ -	$1,908	$1,908
Statements of revenues, expenses, and changes in net assets			
For the year ended June 30, 2009			
Operating Revenues			
Federal grant administration fees	$11,148	$11,770	$622
Operating income	$27,935	$28,557	$622
Statements of cash flows			
For the year ended June 30, 2009			
Reconciliation of operating income to net cash used by operating activities			
Operating Income	$27,935	$28,557	$622

Adjustments to reconcile operating income to net cash used by operating activities:			
(Increase) in due from federal government	($5,036)	($5,658)	($622)

The following financial statement line items for the nine months ended March 31, 2010 were affected by the correction of an error in previously issued financial statements on accrued federal administration fee revenue (expressed in thousands):

	As Originally reported	As Adjusted	Effect of change
Statements of revenues, expenses, and changes in net assets			
For the nine months ended March 31, 2010			
Operating Revenues			
Federal grant administration fees	$9,161	$7,253	($1,908)
Operating income	$15,994	$14,086	($1,908)
Total Net Assets, July 1	$508,065	$509,973	$1,908
Statements of cash flows			
For the nine months ended March 31, 2010			
Reconciliation of operating income to net cash used by operating activities:			
Operating Income	$15,994	$14,086	($1,908)
Adjustments to reconcile operating income to net cash used by operating activities:			
(Increase) in due from federal government	($5,188)	($3,280)	$1,908

NOTE 13. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2010	Mortgage Finance Program	$ 3,305,000
	Homeownership Program	$74,945,000
	Housing Finance Program	$ 455,000
	Total	$78,705,000

b. On September 1, 2010, the U.S. Department of the Treasury announced changes to the New Issue Bond Program (NIBP). These changes included extending the program from its original date of December 31, 2010 until December 31, 2011; and increasing the number of NIBP draws from three to six.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2010	Mortgage Finance Program	$ 3,455,000
	Homeownership Program	$47,985,000
	Housing Finance Program	$ 425,000
	Total	$51,865,000

d. Homeownership Program Bonds, Issue 2010-1, were sold on October 13, 2010. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2010-1	1/1/2011-7/1/2025	$120,700	0.350 to 4.500
TOTAL ALL ISSUES		$120,700	

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

November 1, 2010	Homeownership Program	$99,835,000
	Total	$99,835,000

f. Housing Finance Program Bonds, Issue 2010-B, were sold on November 10, 2010. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2010-B	1/1/2011-7/1/2028	$40,000	0.450 to 4.500
TOTAL ALL ISSUES		$40,000	

g. Housing Finance Program Bonds, Issue 2009-B, Subseries B-2, were sold on November 10, 2010. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-2	7/1/2041	$60,000	3.16
TOTAL ALL ISSUES		$60,000	

NOTE 14. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF INDEPENDENT AUDITOR'S REPORT

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2011	Mortgage Finance Program	$ 2,115,000
	Homeownership Program	$39,815,000
	Housing Finance Program	$ 1,945,000
	Total	$43,875,000

b. Housing Finance Program Bonds, Issue 2011-A, were sold on April 14, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-A	1/1/2012-1/1/2028	$40,000	0.500 to 4.850
TOTAL ALL ISSUES		$40,000	

c. Housing Finance Program Bonds, Issue 2009-B, Subseries B-3, were sold on April 14, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-3	7/1/2041	$60,000	3.70
TOTAL ALL ISSUES		$60,000	

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

April 15, 2011	Mortgage Finance Program	$ 3,385,000
	Homeownership Program	$54,810,000
	Housing Finance Program	$ 2,955,000
	Total	$61,150,000

e. Housing Finance Program bonds, Issue 2011-B and Issue 2009-B, Subseries B-4, were authorized by the Board of directors on May 24, 2011, with the aggregate principal of the bonds not to exceed $100,000,000.

f. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2011	Mortgage Finance Program	$ 3,085,000
	Homeownership Program	$46,515,000
	Housing Finance Program	$ 2,580,000
	Total	$52,180,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date*	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	State Employee Group Plan	$ -0-	$ 3,902	$ 3,902	0%	$ 9,595	41%
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%

*One additional year will be reported as data becomes available.

Exhibit A

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF NET ASSETS
(Expressed in Thousands)

	March 31, 2011 (Unaudited)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 2,393	$ 23,186	$ 104,190	$ 173,844	$ -	$ 303,613
Investments	-	-	-	-	-	-
Receivables:						
Accounts	-	1,334	29,643	1,006	-	31,983
Interest	58	1,026	9,574	1,898	-	12,556
First mortgage loans	8	5,348	36,875	7,005	-	49,236
Due from federal government	10,991	-	-	-	-	10,991
Due from other funds	843	1,371	-	-	-	2,214
Total current assets	14,293	32,265	180,282	183,753	-	410,593
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	6,285	251	1,602	88	-	8,226
Investments	-	17,025	169,436	11,769	-	198,230
Investment interest receivable	-	283	2,935	122	-	3,340
Investments	-	11,748	18,322	238	-	30,308
First mortgage loans receivable	1,537	142,619	1,533,641	385,472	-	2,063,269
Deferred charges	-	373	10,186	1,984	-	12,543
Advance to local government	2,978	-	-	-	-	2,978
Capital assets:						
Furniture and equipment	346	-	-	-	-	346
Less accumulated depreciation	(267)	-	-	-	-	(267)
Total noncurrent assets	10,879	172,299	1,736,122	399,673	-	2,318,973
Total assets	25,172	204,564	1,916,404	583,426	-	2,729,566
LIABILITIES						
Current liabilities:						
Warrants / wires payable	14,596	-	-	-	-	14,596
Accounts payable	-	2	-	-	-	2
Accrued payroll and related liabilities	-	-	-	-	-	-
Compensated absences	494	-	-	-	-	494
Interest payable	-	983	18,714	1,777	-	21,474
Escrow deposits	-	502	-	-	-	502
Prepayments on mortgage loans	-	102	1,344	373	-	1,819
Due to other funds	1,612	75	527	-	-	2,214
Bonds payable	-	7,385	90,470	9,150	-	107,005
Total current liabilities	16,702	9,049	111,055	11,300	-	148,106
Noncurrent liabilities:						
Notes payable	3,591	-	-	-	-	3,591
Bonds payable	-	68,663	1,485,598	502,422	-	2,056,683
Compensated absences	451	-	-	-	-	451
Net OPEB obligation	794	-	-	-	-	794
Escrow deposits	253	3,943	-	-	-	4,196
Arbitrage rebate payable	-	-	434	-	-	434
Total noncurrent liabilities	5,089	72,606	1,486,032	502,422	-	2,066,149
Total liabilities	21,791	81,655	1,597,087	513,722	-	2,214,255
NET ASSETS						
Invested in capital assets	79	-	-	-	-	79
Restricted for single family bond programs	-	111,961	319,317	69,704	-	500,982
Restricted for grant programs	148	10,948	-	-	-	11,096
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	-	3,154
Unrestricted	-	-		-	-	-
Total net assets	$ 3,381	$ 122,909	$ 319,317	$ 69,704	$ -	$ 515,311

June 30, 2010					
Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
$ 3,774	$ 35,134	$ 193,346	$ 37,850	$ 84	$ 270,188
-	4,475	10,104	-	-	14,579
-	1,497	26,326	640	-	28,463
125	1,192	11,095	846	-	13,258
-	5,941	38,006	4,654	-	48,601
22,775	-	-	-	-	22,775
-	1,320	-	-	-	1,320
26,674	49,559	278,877	43,990	84	399,184
-	1,004	17,050	216,214	-	234,268
-	16,662	157,580	7,509	-	181,751
-	169	1,881	119	-	2,169
-	12,879	2,764	-	-	15,643
261	147,610	1,688,513	230,613	-	2,066,997
1	437	11,247	1,524	-	13,209
2,952	-	-	-	-	2,952
346	-	-	-	-	346
(267)	-	-	-	-	(267)
3,293	178,761	1,879,035	455,979	-	2,517,068
29,967	228,320	2,157,912	499,969	84	2,916,252
8,297	-	-	-	-	8,297
6,509	22	78	8	-	6,617
443	-	-	-	-	443
494	-	-	-	-	494
-	2,294	42,842	2,131	-	47,267
-	585	-	-	-	585
-	108	1,529	225	-	1,862
1,320	-	-	-	-	1,320
-	10,535	115,165	2,500	-	128,200
17,063	13,544	159,614	4,864	-	195,085
3,672	-	-	-	-	3,672
-	79,795	1,635,928	472,825	-	2,188,548
451	-	-	-	-	451
794	-	-	-	-	794
252	4,141	-	-	-	4,393
-	-	4,270	199	78	4,547
5,169	83,936	1,640,198	473,024	78	2,202,405
22,232	97,480	1,799,812	477,888	78	2,397,490
79	-	-	-	-	79
-	124,768	358,100	22,081	6	504,955
202	6,072	-	-	-	6,274
3,154	-	-	-	-	3,154
4,300	-	-	-	-	4,300
$ 7,735	$ 130,840	$ 358,100	$ 22,081	$ 6	$ 518,762

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Expressed in Thousands)

For the Nine Months Ended March 31, 2011
(Unaudited)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
OPERATING REVENUES						
Mortgage interest income	$ 60	$ 5,435	$ 71,918	$ 13,027	$ -	$ 90,440
Investment income:						
Interest	(82)	1,043	6,949	365	-	8,275
Net increase (decrease) in the fair value of investments	-	(706)	(5,679)	(248)	-	(6,633)
Federal grant administration fees	8,298	-	-	-	-	8,298
Fees and other income	2,043	91	-	-	-	2,134
Total operating revenues	10,319	5,863	73,188	13,144	-	102,514
OPERATING EXPENSES						
Salaries and benefits	11,071	-	-	-	-	11,071
Contractual services	1,688	-	-	-	-	1,688
Materials and supplies	159	-	-	-	-	159
Rentals and insurance	47	-	-	-	-	47
Other administrative expenses	347	-	-	-	-	347
Other program expenses	1,553	3,300	3,898	45	(2)	8,794
Interest expense	83	3,229	55,997	6,453	-	65,762
Mortgage service fees	-	345	4,517	863	-	5,725
Issuance costs	-	29	454	46	-	529
Depreciation	-	-	-	-	-	-
Total operating expenses	14,948	6,903	64,866	7,407	(2)	94,122
Operating income (loss)	(4,629)	(1,040)	8,322	5,737	2	8,392
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	277,504	272	-	-	-	277,776
Other grant revenue	-	-	-	-	-	-
Federal grants expenses	(277,458)	(1,785)	-	-	-	(279,243)
Local grants expenses	(384)	(4,094)	(5,898)	-	-	(10,376)
Total nonoperating revenues (expenses)	(338)	(5,607)	(5,898)	-	-	(11,843)
Income (loss) before transfers	(4,967)	(6,647)	2,424	5,737	2	(3,451)
Transfers (to) other funds	-	(1,284)	(41,207)	-	(8)	(42,499)
Transfers from other funds	613	-	-	41,886	-	42,499
Change in net assets	(4,354)	(7,931)	(38,783)	47,623	(6)	(3,451)
Total net assets, July 1	7,735	130,840	358,100	22,081	6	518,762
Total net assets, End of period	$ 3,381	$ 122,909	$ 319,317	$ 69,704	$ -	$ 515,311

For the Year Ended June 30, 2010

Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
$ 2	$ 7,970	$ 107,457	$ 3,143	$ -	$ 118,572
144	2,072	10,561	69	-	12,846
-	(115)	1,601	185	-	1,671
15,136	-	-	-	-	15,136
2,098	354	-	-	-	2,452
17,380	10,281	119,619	3,397	-	150,677
13,841	-	-	-	-	13,841
3,315	-	-	-	-	3,315
321	-	-	-	-	321
90	-	-	-	-	90
502	-	-	-	-	502
934	2,573	2,884	19	23	6,433
110	4,953	85,940	2,151	-	93,154
-	489	6,697	208	-	7,394
-	45	656	22	-	723
58	-	-	-	-	58
19,171	8,060	96,177	2,400	23	125,831
(1,791)	2,221	23,442	997	(23)	24,846
253,712	-	-	-	-	253,712
-	705	-	-	-	705
(253,618)	13	-	-	-	(253,605)
(2,352)	(6,320)	(8,197)	-	-	(16,869)
(2,258)	(5,602)	(8,197)	-	-	(16,057)
(4,049)	(3,381)	15,245	997	(23)	8,789
-	(7,101)	(17,606)	-	-	(24,707)
3,611	-	-	21,084	12	24,707
(438)	(10,482)	(2,361)	22,081	(11)	8,789
8,173	141,322	360,461	-	17	509,973
$ 7,735	$ 130,840	$ 358,100	$ 22,081	$ 6	$ 518,762

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF CASH FLOWS
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2011 (Unaudited)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Cash flows from operating activities:						
Receipts from customers	$ -	$ 17,696	$ 227,559	$ 19,942	$ -	$ 265,197
Receipts from federal government	8,298	-	-	-	-	8,298
Receipts from other funds	-	24	527	-	-	551
Other miscellaneous receipts	2,043	91	-	-	-	2,134
Acquisition of mortgage loans	-	(6,687)	(2,051)	(165,392)	-	(174,130)
Payments to service mortgages	-	(345)	(4,517)	(863)	-	(5,725)
Payments to suppliers	(6,597)	(3,284)	(6,641)	(44)	2	(16,564)
Payments to federal government	-	-	(3,836)	(199)	(78)	(4,113)
Payments to other funds	(551)	-	-	-	-	(551)
Payments to employees	(11,773)	-	-	-	-	(11,773)
Net cash provided (used) by operating activities	(8,580)	7,495	211,041	(146,556)	(76)	63,324
Cash flows from non-capital financing activities:						
Operating grants received	289,288	272	-	-	-	289,560
Transfers in (out)	613	(1,284)	(41,207)	41,886	(8)	-
Negative cash balance implicitly financed	6,299	-	-	-	-	6,299
Proceeds from sale of bonds	-	-	120,700	40,736	-	161,436
Proceeds from issuance of notes	-	-	-	-	-	-
Operating grants paid	(282,596)	(5,879)	(5,898)	-	-	(294,373)
Cost of issuance paid	-	-	(989)	(519)	-	(1,508)
Principal payments	(80)	(14,395)	(291,530)	(4,445)	-	(310,450)
Interest paid	(83)	(4,427)	(80,058)	(6,846)	-	(91,414)
Net cash provided (used) by non-capital financing activities	13,441	(25,713)	(298,982)	70,812	(8)	(240,450)
Cash flows from capital and related financing activities:						
Purchases of capital assets	-	-	-	-	-	-
Net cash used by capital and related financing activities	-	-	-	-	-	-
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	56,977	159,796	23,550	-	240,323
Purchases of investments	-	(52,440)	(182,801)	(28,412)	-	(263,653)
Investment interest received	43	980	6,326	359	-	7,708
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	16	115	-	131
Net cash provided (used) by investing activities	43	5,517	(16,663)	(4,388)	-	(15,491)
Net increase in cash and cash equivalents	4,904	(12,701)	(104,604)	(80,132)	(84)	(192,617)
Cash and cash equivalents, July 1	3,774	36,138	210,396	254,064	84	504,456
Cash and cash equivalents, End of period	$ 8,678	$ 23,437	$ 105,792	$ 173,932	$ -	$ 311,839

(continued)

For the Year Ended June 30, 2010

Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
$ (47)	$ 25,062	$ 336,878	$ 2,790	$ -	$ 364,683
15,117	-	-	-	-	15,117
9,297	-	-	-	-	9,297
2,221	354	-	-	-	2,575
-	(9,188)	(124,625)	(236,175)	-	(369,988)
-	(489)	(6,697)	(208)	-	(7,394)
(5,073)	(2,518)	(3,929)	(11)	(12)	(11,543)
-	-	(71)	199	-	128
-	(1,320)	(7,977)	-	-	(9,297)
(13,422)	-	-	-	-	(13,422)
8,093	11,901	193,579	(233,405)	(12)	(19,844)
244,453	705	-	-	-	245,158
3,611	(7,101)	(17,490)	20,968	12	-
(4,153)	-	-	-	-	(4,153)
-	-	75,531	475,442	-	550,973
500	-	-	-	-	500
(251,713)	(6,307)	(8,197)	-	-	(266,217)
-	-	(691)	(1,546)	-	(2,237)
(78)	(14,805)	(188,720)	-	-	(203,603)
(110)	(5,134)	(88,510)	(21)	-	(93,775)
(7,490)	(32,642)	(228,077)	494,843	12	226,646
(108)	-	-	-	-	(108)
(108)	-	-	-	-	(108)
-	121,041	338,391	375	-	459,807
-	(84,697)	(226,508)	(7,897)	-	(319,102)
19	2,239	11,230	69	-	13,557
-	1	11	79	-	91
19	38,584	123,124	(7,374)	-	154,353
514	17,843	88,626	254,064	-	361,047
3,260	18,295	121,770	-	84	143,409
$ 3,774	$ 36,138	$ 210,396	$ 254,064	$ 84	$ 504,456

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)

	For the Nine Months Ended March 31, 2011 (Unaudited)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (4,629)	$ (1,040)	$ 8,322	$ 5,737	$ 2	$ 8,392
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	-	29	454	46	-	529
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	163	(3,317)	(366)	-	(3,520)
(Increase) decrease in mortgage interest receivable	(58)	114	1,089	(1,049)	-	96
(Increase) decrease in first mortgage loans receivable	(1,310)	5,584	156,003	(157,210)	-	3,067
(Increase) in due from federal government	-	-	-	-	-	-
(Increase) decrease in deferred charges	1	36	(2,665)	9	-	(2,619)
Decrease in other receivables	-	-	-	-	-	-
Decrease in interfund receivables	-	24	527	-	-	551
(Decrease) in interfund payables	(551)	-	-	-	-	(551)
Increase (decrease) in accounts payable	(1,755)	(307)	(263)	140	-	(2,185)
Increase (decrease) in accrued payroll / compensated absences	(443)	-	-	-	-	(443)
(Decrease) in deferred revenue	-	-	-	-	-	-
Increase (decrease) in arbitrage rebate liability	-	-	(3,836)	(199)	(78)	(4,113)
Investment (income) loss included as operating revenue	82	(337)	(1,270)	(117)	-	(1,642)
Interest expense included as operating expense	83	3,229	55,997	6,453	-	65,762
Total adjustments	(3,951)	8,535	202,719	(152,293)	(78)	54,932
Net cash provided (used) by operating activities	$ (8,580)	$ 7,495	$ 211,041	$ (146,556)	$ (76)	$ 63,324
Noncash investing, capital, and financing activities:						
Increase (decrease) in fair value of investments	-	(470)	(5,011)	(269)	-	(5,750)
Total noncash investing, capital, and financing activities	$ -	$ (470)	$ (5,011)	$ (269)	$ -	$ (5,750)

	For the Year Ended June 30, 2010				
Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
$ (1,791)	$ 2,221	$ 23,442	$ 997	$ (23)	$ 24,846
58	45	656	22	-	781
-	486	(7,352)	(640)	-	(7,506)
-	55	522	(846)	-	(269)
(60)	7,322	111,792	(235,267)	-	(116,213)
(19)	-	-	-	-	(19)
24	43	(2,304)	-	-	(2,237)
123	-	-	-	-	123
9,297	-	-	-	-	9,297
-	(1,320)	(7,977)	-	-	(9,297)
379	90	(169)	233	-	533
116	-	-	-	-	116
-	(37)	-	-	-	(37)
-	-	1,191	199	11	1,401
(144)	(1,957)	(12,162)	(254)	-	(14,517)
110	4,953	85,940	2,151	-	93,154
9,884	9,680	170,137	(234,402)	11	(44,690)
$ 8,093	$ 11,901	$ 193,579	$ (233,405)	$ (12)	$ (19,844)
-	498	3,170	121	-	3,789
$ -	$ 498	$ 3,170	$ 121	$ -	$ 3,789

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
MARCH 31, 2011
(Expressed in Thousands)
(Unaudited)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,887	$ 15,868	$ 22,755	$ 431	$ 23,186
Receivables:					
Accounts	911	418	1,329	5	1,334
Interest	884	131	1,015	11	1,026
First mortgage loans	4,966	382	5,348	-	5,348
Due from other funds	-	1,371	1,371	-	1,371
Total current assets	13,648	18,170	31,818	447	32,265
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	251	-	251	-	251
Investments	17,025	-	17,025	-	17,025
Investment interest receivable	283	-	283	-	283
Investments	957	8,145	9,102	2,646	11,748
First mortgage loans receivable	139,884	2,735	142,619	-	142,619
Deferred charges	373	-	373	-	373
Total noncurrent assets	158,773	10,880	169,653	2,646	172,299
Total assets	172,421	29,050	201,471	3,093	204,564
LIABILITIES					
Current liabilities:					
Accounts payable	-	2	2	-	2
Interest payable	983	-	983	-	983
Escrow deposits	-	-	-	502	502
Prepayments on mortgage loans	99	3	102	-	102
Due to other funds	-	75	75	-	75
Bonds payable	7,385	-	7,385	-	7,385
Total current liabilities	8,467	80	8,547	502	9,049
Noncurrent liabilities:					
Bonds payable	68,663	-	68,663	-	68,663
Escrow deposits		1,537	1,537	2,406	3,943
Total noncurrent liabilities	68,663	1,537	70,200	2,406	72,606
Total liabilities	77,130	1,617	78,747	2,908	81,655
NET ASSETS					
Restricted for single family bond programs	95,291	16,485	111,776	185	111,961
Restricted for grant programs	-	10,948	10,948	-	10,948
Total net assets	$ 95,291	$ 27,433	$ 122,724	$ 185	$ 122,909

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank, Magna Bank and First Horizon Bank (recently purchased by Met Life) (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 80% of THDA's entire portfolio of mortgage loans. Magna Bank and Met Life, through a sub-servicing agreement with U.S. Bank, service the remainder. THDA itself is also permitted to service Program Loans although it has not done so to date. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the

event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The General Housing Finance Resolution, as amended (the "General Resolution"), contains various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from THDA or the Trustee.

Definitions (Section 1.2)

"Bond" means one of the bonds authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds issued pursuant to Article II.

Bond Reserve Fund" means the Bond Reserve Fund established pursuant to Section 5.1.

"Bond Reserve Fund Requirement" means, as of any date of calculation the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"Fund" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but not limited to:

- All direct or fully guaranteed United States Treasury;
- Certificates of beneficial ownership issued by the Farmers Home Administration;
- Participation certificates issued by General Services Administration;
- U.S. Maritime Administration guaranteed Title XI financing;
- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;
- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);
- Local authority bonds of the United States Department of Housing and Urban Development;

- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and
- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)
- Consolidated system-wide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)
- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)
- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);
- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC) - backed issues issued by Student Loan Marketing Association (SLMA);
- Debt obligations issued by Financing Corp. (FICO);
- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least 'A-1' by S&P and 'P-1' by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least 'AA' by S&P and 'Aa' by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least 'aam' or 'AAm-G' by S&P and 'Aaa' by Moody's;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least 'AA' by S&P and 'Aa' by Moody's or commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's;

(10) Stripped securities

(i) U.S. Treasury STRIPS

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least 'AA' by S&P and 'Aa' by Moody's; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody's.

"Issuance Amount" shall mean the price, exclusive of accrued interest (if any) which is payable on a semiannual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, THDA Costs of Issuance, or similar costs.

"Loan Fund" means the Loan Fund established in Section 5.1.

"Non-Mortgage Receipts" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Resolution, but shall not include Revenues.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"Program" means the program for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"Program Expenses" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans, payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"Program Loan Loss Coverage" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"Projected Cash Flow Statement" means a certificate of an Authorized Officer of THDA setting forth for the current and each succeeding fiscal year in which Bonds are scheduled to be outstanding, THDA's estimate of, among other things: (i) the Revenues, other than Prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds; (ii) the aggregate amount of prepayments of Program Loans which THDA reasonably expects to receive with respect to such Program Loans and which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution; (iii) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rates used in

estimating such amounts; (iv) the amount, if any, expected to be withdrawn from the Bond Reserve Fund, provided, the amount on deposit in such Fund is expected to at least equal the Bond Reserve Fund Requirement immediately after such withdrawal and the withdrawal is permitted under the General Resolution; (v) the aggregate Debt Service on Outstanding Bonds during such fiscal year; and (vi) all Program Expenses during such fiscal year.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.1.

"Revenues" means all payments, proceeds, rents, charges, and other cash income received by THDA from or on account of any Program Loan including scheduled, delinquent and advance payments of any insurance proceeds with respect to principal and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicer as compensation for services rendered in connection with the Program Loan and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

Resolution Constitutes Contract (Section 2.2)

The General Resolution constitutes a contract between THDA and the holders of the Bonds and the pledges, covenants and agreements to be performed by THDA are for the equal benefit, protection and security of the holders of any and all of the Bonds..

Obligation of Bonds (Section 2.3)

The Bonds will be special limited obligations of THDA payable only from the revenues and assets pledged therefor. These revenues and assets include the following: mortgage receipts; non-mortgage receipts, including interest earned from the investment of funds in the Escrow Fund or any other Fund or Account; and right, title, and interest in and to the Program Loans.

Provisions for Issuance of Bonds (Sections 2.4, 2.6, 7.3, and 7.15)

The General Resolution authorizes Bonds to be issued from time to time in accordance with its terms without limitation as to amount except as provided by law. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(1) a Bond Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the General Resolution;

(2) the amount of the proceeds of such Series to be deposited with the Trustee pursuant to the General Resolution (see "Application of Bond Proceeds" below):

(3) except in the case of the initial or a refunding issue, a certificate of an authorized officer stating that THDA is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution and that all other conditions for the issuance of additional Bonds have been met; and

(4) except in the case of a refunding issue, a Projected Cash Flow Statement, as described in Appendix D, showing that the estimated Revenues for each fiscal year in which Bonds will be outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to the Resolution), will be sufficient for the payment of the estimated debt service and program expenses for such fiscal year.

Provisions for Refunding Issues (Section 2.7)

Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption of all Bonds to be refunded and to give published notice as required of the redemption of such Bonds and either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or certificates of deposit secured by such obligations, which by their terms will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in the Redemption Account established under the General Resolution.

Application of Bond Proceeds (Sections 4.1 and 4.3)

As soon as practicable upon the delivery of each Series of Bonds, other than refunding Bonds, an amount necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately after such delivery is required to be deposited in the Bond Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in such Fund are to be deposited at the direction of an Authorized Officer.

Amounts in the Loan Fund may not be expended and applied for the financing of a Program Loan unless the note issued to evidence the Program Loan and a mortgage securing the Program Loan have been duly executed and, among other things:

(1) the mortgage securing such Program Loan constitutes a first lien, subject only to Permitted Encumbrances, on the real property or interest therein securing such Program Loan and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

(2) the eligible borrower has entered into a binding agreement with or for the benefit of THDA that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens levied against the premises or any part thereof, and in the case of default in the payment thereof THDA, without notice or demand to the mortgagor, may pay the same and the amount will be a lien on the premises added to the amount of the Program Loan;

(3) the eligible borrower must covenant that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of obtaining the residential housing financed by the Program Loan;

(4) the eligible borrower must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA and that it will maintain the premises in good repair and comply with all requirements of governmental authorities relating thereto; and

(5) the eligible borrower must obtain a policy of title insurance insuring THDA that the mortgage is valid and enforceable in the full amount of the Program Loan.

(6) the Program Loan must be (i) insured by the Federal Housing Administration, (ii) guaranteed by the Rural Economic Community Development Corp. (formerly Farmers Home Administration) or the Veteran's Administration, (iii) insured or guaranteed by a successor federal or state agency, (iv) have a principal amount not exceeding 78% of the value of the property securing such Program Loan as determined in an appraisal by or acceptable to THDA, or (v) be insured to the extent of any excess over such percentage by a private mortgage insurance company acceptable to THDA and meeting the requirements of the Resolution.

Deposits and Investments (Sections 4.5, 4.6 and 4.7)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be deposited in interest-bearing time deposits, repurchase agreements or certificates of deposit or be the subject of similar banking arrangements with commercial banks, savings and loans or investment dealers and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of THDA and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement at the time of initial funding from Bond proceeds, the issuance of additional obligations and for any other purpose under the General Resolution, such obligations shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made as soon as practicable prior to each interest payment date and at any other time required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

Establishment of Funds and Accounts (Section 5.1)

The General Resolution establishes the following special trust funds and accounts which are to be held by the Trustee:

(1) Loan Fund;

(2) Revenue Fund,

Debt Service and Expense Account,
Non-Mortgage Receipts Account, and
Redemption Account;

(3) Bond Reserve Fund; and

(4) Escrow Fund.

Loan Fund (Section 5.2)

In addition to proceeds of a Series of Bonds, amounts are required to be deposited in the Loan Fund from the Revenue Fund under certain circumstances as more fully described below (see “Revenue Fund”). Amounts in the Loan Fund may be expended only to pay the cost of financing Program Loans, to pay reasonable and necessary Costs of Issuance, and to make deposits in the Debt Service and Expense Account with respect to capitalized interest. Amounts in the Loan Fund may, however, be transferred to the Revenue Fund if a Projected Cash Flow Statement is delivered to the Trustee. At the direction of THDA, the Trustee may transfer amounts in the Loan Fund to the Redemption Account or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds are subject to redemption or payment from such amounts, but only if there is delivered to the Trustee a Projected Cash Flow Statement and a certificate of an Authorized Officer stating that, in the judgment of THDA, the estimated Revenues available after the payment of estimated Debt Service on the Bonds and Program expenses are greater than they would have been if all or a portion of such amounts had been applied to the financing of Program Loans.

Revenue Fund (Section 5.3)

The General Resolution establishes the following trust accounts within the Revenue Fund: the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account.

Debt Service and Expense Account. All Revenues are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Debt Service and Expense Account within the Revenue Fund. The Trustee is required to make payments out of the Debt Service and Expense Account to the Paying Agents as follows: (a) on or before each interest payment date, the amounts required for the payment of principal installments, if any, and interest due on the Bonds on such date and (b) on or before the Redemption Date or date of

purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless such interest is otherwise provided for.

Prior to the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee may, and if so directed by THDA is required to, apply any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) as follows: (a) to the purchase of the Bonds for which such Sinking Fund Payment was established, at prices not exceeding the Redemption Price for such Bonds if they are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, or (b) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (a) hereof. Upon such purchase or redemption of any Bond, an amount equal to the principal amount of the Bond so purchased or redeemed will be credited to the Sinking Fund Payment next coming due. The excess of the amounts so credited over the amount of such Sinking Fund Payment will be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise directed by THDA.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and Maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Within ninety days after the close of each Fiscal Year, THDA is required to file with the Trustee a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amount to the Loan Fund as provided in clause (b) of this sentence) which states (a) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments made on each interest payment date as described above and (b) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Upon receipt thereof, the Trustee is required to transfer from the Debt Service and Expense Account an amount equal to the amount stated in clause (a) above as follows:

> FIRST: From the amount so available the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.
>
> SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.
>
> THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred and if such Projected Cash Flow Statement does not comply with subsection 7.11(C) the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).
>
> FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with THDA's tax covenants described below, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this provision shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph,

there shall be excluded from the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Bond Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

The Trustee may at any time, upon the written direction of an Authorized Officer (a) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund or the Redemption Account for the purposes of such Fund or Account or (b) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer is to be made, however, unless there is on deposit in the Debt Service and Expense Account and the Non-Mortgage Receipts Account after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment, plus an amount equal to the cumulative amount of prepayments received by THDA during such fiscal year which exceeds the amount of prepayments estimated to be applied to the payment of Debt Service during such fiscal year in the most recent Projected Cash Flow Statement delivered to the Trustee by THDA. In addition no such transfers shall be made until a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses is to be made unless the revenue statement to be delivered to the Trustee for each preceding month as described below shows that accrued Revenues exceed accrued Debt Service.

No payments are required to be made into the Debt Service and Expense Account so long as the amount on deposit therein is sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any purpose of THDA free and clear of the lien of the pledge of the General Resolution.

Redemption Account. There are to be deposited in the Redemption Account any amounts required by the General Resolution to be so deposited and any other amounts available therefor and determined by THDA to be deposited therein. The Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date as described under "Redemption of Bonds."

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds to be so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless otherwise directed by THDA.

Non-Mortgage Receipts Account. All Non-Mortgage Receipts received by the Trustee are to be promptly deposited in the Non-Mortgage Receipts Account. The Trustee is required to maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund, the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund. If so directed by THDA, the Trustee must maintain such records separately for each Series of Bonds.

Semi-annually not later than each Interest Payment Date, the Trustee is required to transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of such transfers, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

Any amount remaining in the Non-Mortgage Receipts Account after the semi-annual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account or the Escrow Fund.

Bond Reserve Fund (Section 5.4)

If on any Interest Payment Date or Redemption Date, the amounts on deposit in the Revenue Fund and the Redemption Fund are less than the amount required for the payments due on the Bonds on such date, the Trustee is to apply amounts from the Bond Reserve Fund to the extent required to make good the deficiency.

If concurrently with the allocation from the Revenue Fund, the amount on deposit in the Bond Reserve Fund is in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed, transfer the amount of such excess to the Redemption Account.

Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Revenue Fund are to be transferred to the Bond Reserve Fund. Prior to such transfer, all investments held in the Revenue Fund are to be liquidated and any Bonds constituting a part of such Fund will be deemed paid and canceled.

Escrow Fund (Section 5.5)

There shall be deposited in the Escrow Fund, all amounts required by the Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein.

Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with the Resolution.

Redemption of Bonds (Sections 3.7, 5.3, 6.4 and 6.5)

Bonds may be redeemed from amounts on deposit in the Loan Fund or the Revenue Fund or from other amounts made available by THDA for such purpose. Amounts deposited in the Redemption Account within the Loan Fund must be applied to the redemption of Bonds at the earliest possible time, subject to their terms and the terms of their respective authorizing resolutions. If THDA directs the publication of a notice of redemption from amounts other than amounts in the Redemption Account, THDA is responsible to provide funds for such redemption to the appropriate Paying Agents prior to the date of redemption.

Amounts on deposit in the Revenue Account which are to be applied to the redemption of Bonds may, until the forty-fifth day prior to the date for redemption of such Bonds, be applied to the purchase of such Bonds at prices not exceeding the applicable redemption price, plus accrued interest, unless such Bonds are to be redeemed more than thirteen months from the date of purchase, in which event the purchase price may not exceed par. Any difference between the maximum price payable for such Bonds and the price actually paid is to be deposited in the Debt Service and Expense Account.

The selection of Bonds to be redeemed from the amounts to be applied to the redemption of Bonds of such particular Series and maturity is to be made by the Trustee by lot. For such purpose registered bonds of a denomination greater than $5,000 are to be assigned separate numbers for each $5,000 portion. In the event that the Trustee is required to redeem Appreciation Bonds by lot, the Trustee will assign a separate number to each Appreciation Bond on the basis of its Maturity Amount. The Trustee shall mail, postage prepaid, a copy of the notice of redemption not less than 20 days (or such shorter period as may be acceptable to the provider of a central depository system) prior to the date of redemption to the registered owners of all registered Bonds subject to redemption at the last address of such registered owners appearing on the registry books in respect of the Bonds. Publication of notice of redemption is not required if all Bonds to be redeemed are registered bonds. THDA is not obliged to exchange or transfer Bonds within ten days preceding the giving of notice of redemption and is not obliged to exchange or transfer any Bonds which have previously been called for redemption.

Power as to Bonds and Pledge (Section 7.3)

THDA covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the assets and revenues purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment of Bonds (Section 7.4)

THDA covenants that it will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Tax Covenants (Section 7.9)

THDA covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of THDA to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in the applicable federal tax law and (ii) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by the applicable federal tax law by reason of the classification of such Bond as a “mortgage subsidy bond” pursuant to the applicable federal tax law or as an “industrial development bond” within the meaning of the applicable federal tax law, except in the case of Bonds held by a “substantial user” or “related person” within the meaning of Section 147(c) of the Code.

Accounts and Reports (Section 7.10)

THDA covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Housing Finance Program and all Funds established by the General Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA is required to submit to the Trustee a statement of account for the preceding month setting forth the amount received as Revenues during such month and stating the cumulative amount of Revenues (including individual totals for prepayments and monthly Program Loan receipts) and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

THDA must annually, within ninety days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of THDA for such fiscal year setting forth in reasonable detail: (a) a balance sheet for THDA and its programs showing the assets and liabilities of the Housing Finance Program at the end of such fiscal year, and (b) a statement of revenues and expenses in accordance with the categories or classifications established by THDA so long as such financial statements for the Housing Finance Program are separately identified and are consistent with the requirements of the General Resolution and satisfactory to the Trustee. The financial statements shall be accompanied by the certificate of an independent accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each annual Projected Cash Flow Statement and annual report or special report and any accountant’s certificate shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Budgets (Section 7.12)

THDA must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of THDA as required under the Act. The annual budget shall at least set forth for such fiscal year the estimated revenues, principal installments and interest due and payable or estimated to become due and payable during such fiscal year and

estimated expenses of the Housing Finance Program. THDA at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

The Program (Section 7.13)

THDA covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Housing Finance Program) to finance Program Loans, to do all acts and things necessary to receive and collect Revenues sufficient to pay the expenses of the Program and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans.

Whenever necessary in order to protect and enforce the interest and security of the holders of the Bonds, THDA covenants to commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such premises.

THDA may sell, assign or otherwise dispose of a Program Loan or the premises to which such Program Loan is related:

(1) in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to provide funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Loan; or

(3) if a Projected Cash Flow Statement has been filed with the Trustee giving effect to the proposed sale thereof.

Upon the happening of an Event of Default resulting from nonpayment of the Bonds and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA is required to deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee.

Powers of Amendment (Section 9.2)

Except with respect to certain modifications or amendments that do not require consent of bondholders as described in the General Resolution, any modification or amendment of any provision of the General Resolution or of the rights and obligations of THDA and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the General Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default (Sections 10.1 and 10.10)

It is an "event of default" if: (a) THDA shall default in the payment of the principal or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or (c) THDA fails or refuses to comply with the provisions of the General Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

The Trustee must give the Bondholders notice of each event of default known to the Trustee within ninety days, unless such event of default has been remedied or cured, except that, in the case of default in the payment of the principal of or Redemption Price or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee may withhold such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice is to be given by mail: (i) to all registered holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to such holders of Bonds as have filed their names and addresses with the Trustee for that purpose, and (iii) to such other persons as is required by law.

Remedies (Sections 10.2 and 10.3)

Upon the happening and continuance of any event of default specified in clause (a) and (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to an acceleration) shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

Except upon the occurrence and during the continuance of an Event of Default under the Resolution, THDA reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder will be deemed to be an indispensable party for such purposes.

In the event that during the continuance of an event of default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the General Resolution, are to be applied as follows:

(1) Unless the principal of all of the Bonds has become or been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount

available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bond without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Bondholders' Direction of Remedial Proceedings (Section 10.5)

The holders of a majority in principal amount of the Bonds then Outstanding retain the right, upon a written instruction, to direct the method used by the Trustee in conducting all remedial proceedings, but only if such direction is in accordance with the law and the provisions of the Resolution, and is not unjustly, prejudicial, in the Trustee's opinion, to the remaining Bondholders.

Limitation on Rights of Bondholders (Section 10.6)

No individual Bondholder may initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the same.

Compensation of Trustee and Paying Agents (Section 11.5)

THDA is required to pay reasonable compensation to the Trustee and to each Paying Agent for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the General Resolution.

Removal of Trustee (Sections 11.8 and 11.9)

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an event of default, for such cause as THDA may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance (Section 12.1)

If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution,

then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, THDA has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds, (b) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge.

APPENDIX E

OTHER THDA FINANCINGS

General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,390,670,000 total original principal amount of bonds under the 1985 General Resolution as of June 30, 2011, of which $1,506,850,000 (unaudited) were outstanding as of June 30, 2011, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of June 30, 2011 (unaudited)	Original Net Interest Cost[1]
2001-1	May 1, 2001	135,390,000	$ 56,585,000	5.25
2001-2	August 1, 2001	60,000,000	17,840,000	5.08
2001-3	December 1, 2001	64,580,000	16,145,000	5.21
2002-1	April 18, 2002	85,000,000	24.950.000	5.14
2002-2	July 31, 2002	85,000,000	28,420,000	5.03
2003-1	February 27, 2003	50,000,000	19,965,000	4.64
2003-2	July 31, 2003	60,000,000	28,265,000	3.90
2003-3	November 5, 2003	75,000,000	32,995,000	4.30
2004-1	March 4, 2004	80,000,000	39,750,000	4.40
2004-2	July 15, 2004	100,000,000	51,950,000	4.86
2004-3	January 13, 2005	100,000,000	55,070,000	4.41
2005-1	July 28, 2005	100,000,000	63,655,000	4.33
2005-2	November 17, 2005	100,000,000	62,830,000	4.61
2006-1	April 27, 2006	100,000,000	66,840,000	4.66
2006-2	July 27, 2006	100,000,000	62,950,000	4.85
2006-3	October 31, 2006	100,000,000	70,720,000	4.58
2007-1	March 13, 2007	100,000,000	75,135,000	4.49
2007-2	June 6, 2007	120,000,000	94,160,000	4.53
2007-3	August 7, 2007	150,000,000	114,055,000	4.77
2007-4	October 30, 2007	150,000,000	118,230,000	4.79
2008-1	May 29, 2008	60,000,000	47,050,000	4.93
2008-2	August 7, 2008	50,000,000	37,405,000	5.28
2008-3	September 30, 2008	90,000,000	68,525,000	5.00
2008-4	December 18, 2008	30,000,000	21,185,000	5.56
2009-1	June 11, 2009	50,000,000	46,795,000	4.39
2009-2	September 30, 2009	75,000,000	70,085,000	4.06
2010-1	October 13, 2010	120,700,000	115,295,000	3.57
TOTAL		$2,390,670,000	$1,506,850,000	

(1) Bond yield.

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Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $191,885,000 under the 1974 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Dated	Issued	Outstanding as of June 30, 2011 (unaudited)	Mortgage Rates	Net Interest Cost
2003 Series A	September 4, 2003	$191,885,000	75,280,000	7.05/7.75	4.90
TOTAL		$191,885,000	$75,280,000		

Single Family Program Bond Resolution (the "1981 Resolution")

On February 2, 1994, THDA issued and sold Homeownership Program Bonds, Issue 1994-1 (Taxable) in the aggregate principal amount of $33,500,000 (the "Issue 1994-1 Bonds") the proceeds of which were used to redeem all bonds then outstanding under the 1981 Resolution. All assets under the 1981 Resolution, including mortgages financed with the proceeds of bonds issued under the 1981 Resolution and remaining cash and investments held for the benefit of bondholders under the 1981 Resolution, were transferred out of the 1981 Resolution at the time of the issuance and sale of the Issue 1994-1 Bonds.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the Resolution, the 1985 General Resolution, the 1981 Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the Resolution, the 1985 General Resolution, the 1981 Resolution, the 1974 General Resolution, any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

PROGRAM LOAN PROCEDURES

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted. THDA's current income limits range from $54,480 to $92,680 depending on household size and geographic location. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. THDA's current maximum acquisition cost limit is $200,160 for all counties except counties in the Nashville MSA. For counties in the Nashville MSA, the maximum acquisition cost limit is $226,100. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, not to exceed 1% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and savings and loan associations. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions located in Tennessee or in the eight contiguous states to service Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms, commercial banks or savings and loan associations. THDA may also service Program Loans although it has elected only to service multi-family loans made under the 1974 General Resolution to date. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval.

THDA requires monthly reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data.

THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Mortgage Administration and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

August 25, 2011

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Housing Finance Program Bonds

$40,000,000 Issue 2011-B (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $40,000,000 in aggregate principal amount of Housing Finance Program Bonds, Issue 2011-B (Non-AMT) (the "Issue 2011-B Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2011-B Bonds were authorized to be issued pursuant to the Act, the General Housing Finance Resolution of THDA, adopted November 19, 2009, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on May 24, 2011, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on August 4, 2011 (together, the "Supplemental Resolution" and, together with the General Resolution, the "Resolution").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2011-B Bonds (collectively, the "Housing Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2011-B Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2011-B Bonds are being issued to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2011-B Bonds in order that interest on the Issue 2011-B Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2011-B Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2011-B Bonds are valid and legally binding special obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Housing Finance Program Bonds, including the Issue 2011-B Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2011-B Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2011-B Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing laws as presently enacted and construed and assuming compliance with the covenants concerning federal tax law described above, (i) interest on the Issue 2011-B Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) interest on the Issue 2011-B Bonds will not be treated as a preference item to be included in calculating the federal alternative minimum tax imposed on individuals and corporations and will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2011-B Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2011-B Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2011-B Bonds may have to take interest on such Issue 2011-B Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2011-B Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2011-B Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2011-B Bonds.

Very truly yours,

August 25, 2011

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Housing Finance Program Bonds

$60,000,000 Issue 2009-B, Subseries B-4

Ladies and Gentlemen:

We have examined a record of proceedings related to the deemed reissuance of a portion of the $60,000,000 in aggregate principal amount of Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2009-B Bonds were authorized to be issued pursuant to the Act, the General Housing Finance Resolution of THDA, adopted November 19, 2009, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on November 19, 2009, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on December 23, 2009 (together, the "2009 Supplemental Resolution").

Proceeds of the Issue 2009-B Bonds have been deposited in the Issue 2009-B Escrow Subaccount of the Loan Fund and are subject to release therefrom upon satisfaction of the conditions for such release set forth in the 2009 Supplemental Resolution. Pursuant to the General Resolution, the 2009 Supplemental Resolution and a Resolution adopted by THDA on May 24, 2011, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on August 4, 2011 (together, the "2011 Supplemental Resolution," and, together with the General Resolution and the 2009 Supplemental Resolution, the "Resolution"), THDA has elected to release $60,000,000_of proceeds of the Issue 2009-B Bonds from the Issue 2009-B Escrow Subaccount of the Loan Fund. Upon such release and in accordance with the Resolution, a corresponding amount of the Issue 2009-B Bonds will be redesignated as the Housing Finance Program Bonds, Issue 2009-B, Subseries B-4 (Non-AMT) (the "Subseries B-4 Bonds").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Subseries B-4 Bonds (collectively, the "Housing Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Subseries B-4 Bonds mature in the year, bear interest at the rates and are otherwise as described in the 2009 Supplemental Resolution and the 2010 Supplemental Resolution. Proceeds of the Issue 2009-B Bonds are being released to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Subseries B-4 Bonds in order that interest on the Subseries B-4 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the reissuance and redesignation of the Subseries B-4 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Subseries B-4 Bonds are valid and legally binding special obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Housing Finance Program Bonds, including the Subseries B-4 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with funds allocable to the Subseries B-4 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Subseries B-4 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing laws as presently enacted and construed and assuming compliance with the covenants concerning federal tax law described above, interest on the Subseries B-4 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) will not be treated as a preference item to be included in calculating the federal alternative minimum tax imposed on individuals and corporations and (iii) will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Subseries B-4 Bonds is exempt from the income tax imposed by the State on interest income; however, the Subseries B-4 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Subseries B-4 Bonds may have to take interest on such Subseries B-4 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Subseries B-4 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Subseries B-4 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Subseries B-4 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES

Delinquencies and Foreclosures as of March 31, 2011

As of March 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 0.90%, based on a total of 3,994 Program Loans as of March 31, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011 are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (2)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	34	$2,966,725	0.92%	1.86%(4)
VA Guaranteed	0	0	0.00	1.09
Privately Insured	0	0	0.00	0.70(5)
USDA/RD Guaranteed	2	96,262	1.23	(6)
Uninsured	0	0	0.00	(6)
TOTAL	36	$3,062,987(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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*Delinquency and foreclosure information as of June 30, 2011, can be found in this Official Statement under **"HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data** – *Delinquencies and Foreclosures as of June 30, 2011"*.

As of March 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) held under the General Resolution that were ninety (90) days past due was 1.65%, based on a total of 3,994 Program Loans as of March 31, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	60	$4,910,822	1.62%	4.71%[4]
VA Guaranteed	1	40,660	1.89	2.39
Privately Insured	1	56,351	5.56	1.50[5]
USDA/RD Guaranteed	4	246,133	2.47	[6]
Uninsured	0	0	0.00	[6]
TOTAL	66	$5,253,966[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of March 31, 2011 (unaudited), the overall rate of Program Loans (including Transferred Loans) held under the General Resolution in foreclosure was 0.70%, based on a total of 3,994 Program Loans as of March 31, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2011, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	27	$2,365,045	0.73%	2.45%[4]
VA Guaranteed	1	63,493	1.89	1.96
Privately Insured	0	0	0.00	1.69[5]
USDA/RD Guaranteed	0	0	0.00	[6]
Uninsured	0	0	0.00	[6]
TOTAL	28	$2,428,538[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2010

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.81%, based on a total of 3,541 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	57	$5,029,428	1.74%	2.50%(4)
VA Guaranteed	2	141,261	4.17	1.49
Privately Insured	1	56,861	5.00	0.91(5)
USDA/RD Guaranteed	4	229,649	2.96	(6)
Uninsured	0	0	0.00	(6)
TOTAL	64	$5,457,200(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 2.15%, based on a total of 3,541 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	68	$5,653,554	2.07%	5.21%(4)
VA Guaranteed	2	104,153	4.17	2.83
Privately Insured	2	96,746	10.00	1.77(5)
USDA/RD Guaranteed	3	211,525	1.82	(6)
Uninsured	1	76,392	2.22	(6)
TOTAL	76	$6,142,369(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of December 31, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.57%, based on a total of 3,541 Program Loans as of December 31, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2010, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	19	$1,660,210	0.58%	2.24%[4]
VA Guaranteed	0	0	0.00	1.88
Privately Insured	0	0	0.00	1.65[5]
USDA/RD Guaranteed	1	47,831	0.74	[6]
Uninsured	0	0	0.00	[6]
TOTAL	20	$1,708,041[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2010

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.38%, based on a total of 3,109 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	39	$3,399,746	1.36%	2.48%[4]
VA Guaranteed	0	0	0.00	1.54
Privately Insured	1	64,629	5.00	0.98[5]
USDA/RD Guaranteed	1	43,704	0.78	[6]
Uninsured	2	112,386	3.85	[6]
TOTAL	43	$3,620,465[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 1.61%, based on a total of 3,109 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	44	$3,216,671	1.54%	5.07%[4]
VA Guaranteed	0	0	0.00	3.06
Privately Insured	2	97,405	10.00	1.97[5]
USDA/RD Guaranteed	4	223,584	3.13	[6]
Uninsured	0	0	0.00	[6]
TOTAL	50	$3,537,659[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.23%, based on a total of 3,109 Program Loans as of September 30, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2010, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	6	$432,994	0.21%	1.91%[4]
VA Guaranteed	1	40,660	2.27	1.47
Privately Insured	0	0	0.00	1.33[5]
USDA/RD Guaranteed	0	0	0.00	[6]
Uninsured	0	0	0.00	[6]
TOTAL	7	$473,653[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these

Delinquencies and Foreclosures as of June 30, 2010

As of June 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.08%, based on a total of 2,493 Program Loans as of June 30, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	23	$1,650,307	1.02%	2.33%[4]
VA Guaranteed	1	64,016	2.70	1.52
Privately Insured	0	0	0.00	0.91[5]
USDA/RD Guaranteed	3	178,655	2.34	(6)
Uninsured	0	0	0.00	(6)
TOTAL	27	$1,892,979[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of June 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 1.49%, based on a total of 2,493 Program Loans as of June 30, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	28	$1,749,236	1.24%	4.54%[4]
VA Guaranteed	1	40,660	2.70	2.74
Privately Insured	2	121,833	10.00	2.05[5]
USDA/RD Guaranteed	6	351,270	4.69	(6)
Uninsured	0	0	0.00	(6)
TOTAL	37	$2,262,999[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of June 30, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.16%, based on a total of 2,493 Program Loans as of June 30, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2010, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	2	$102,865	0.09%	2.06%[4]
VA Guaranteed	1	70,241	2.70	1.64
Privately Insured	0	0	0.00	1.34[5]
USDA/RD Guaranteed	1	78,436	0.78	[6]
Uninsured	0	0	0.00	[6]
TOTAL	4	$251,542[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Tennessee Housing Development Agency

Leading Tennessee Home

NEW ISSUE AND CONVERSION ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, (i) interest on the Issue 2011-C Bonds (the "Issue 2011-C Bonds") and the Issue 2009-B, Subseries B-5 Bonds (the "Subseries B-5 Bonds" and, collectively with the Issue 2011-C Bonds, the "Series Bonds") is excluded from gross income of the owners thereof for federal income tax purposes and (ii) interest on the Series Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Series Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Series Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Housing Finance Program Bonds
$65,290,000 Issue 2011-C (Non-AMT)
$34,710,000 Issue 2009-B, Subseries B-5 (Non-AMT)*

Dated: Issue 2011-C Bonds: Date of Delivery **Due: As shown on inside front cover**
Subseries B-5 Bonds: December 21, 2009
(Interest to accrue from November 3, 2011)

The Issue 2011-C Bonds are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Issue 2011-C Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Issue 2011-C Bonds, payments of the principal of, premium, if any, and interest on the Issue 2011-C Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Issue 2011-C Bonds will not receive physical delivery of bond certificates. See Appendix F "Book-Entry-Only System." The Issue 2011-C Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Issue 2011-C Bonds accrues from the dated date of the Issue 2011-C Bonds and is payable on July 1, 2012, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

Tennessee Housing Development Agency ("THDA") previously issued $300,000,000 aggregate principal amount of Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") and, in connection with the issuance of the Issue 2011-C Bonds expects to convert and re-designate a portion of such bonds as the Housing Finance Program Bonds, Issue 2009-B, Subseries B-5. See "NEW ISSUE BOND PROGRAM." Interest on the Subseries B-5 Bonds accrues from the date of delivery of the Issue 2011-C Bonds and is payable January 3, 2012, and thereafter on each January 1 and July 1, commencing July 1, 2012.

The Series Bonds are subject to redemption prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for the Series Bonds."

The Series Bonds are special limited obligations of THDA payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on the Bonds.

THDA has no taxing power. The Series Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Series Bonds.

This cover page contains certain information for quick reference only. It is <u>not</u> a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Issue 2011-C Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. Certain legal matters in connection with the conversion of the Subseries B-5 Bonds will be passed upon by Kutak Rock LLP. It is expected that the Series Bonds will be available for book-entry delivery through DTC on or about November 3, 2011.

MORGAN KEEGAN

BofA MERRILL LYNCH **RBC CAPITAL MARKETS**
CITIGROUP **RAYMOND JAMES & ASSOCIATES, INC.**
M R BEAL & COMPANY **WILEY BROS.—AINTREE CAPITAL LLC**

October 5, 2011

*The Subseries B-5 Bonds are not offered hereby as described herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOUSING FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$65,290,000 Issue 2011-C (Non-AMT)

$24,705,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number(1)	Principal Amount Due July 1	Interest Rate	CUSIP Number(1)
2012				$1,085,000	0.40%	88045RUS9
2013	$1,090,000	0.65%	88045RUT7	1,095,000	0.80	88045RUU4
2014	1,095,000	1.00	88045RUV2	1,100,000	1.15	88045RUW0
2015	1,110,000	1.40	88045RUX8	1,115,000	1.50	88045RUY6
2016	1,125,000	1.80	88045RUZ3	1,135,000	1.95	88045RVA7
2017	1,145,000	2.10	88045RVB5	1,160,000	2.15	88045RVC3
2018	1,170,000	2.50	88045RVD1	1,185,000	2.60	88045RVE9
2019	1,200,000	2.80	88045RVF6	1,215,000	2.90	88045RVG4
2020	1,230,000	3.10	88045RVH2	1,250,000	3.10	88045RVJ8
2021	1,270,000	3.25	88045RVK5	1,290,000	3.25	88045RVL3
2022	1,310,000	3.50	88045RVM1	1,330,000	3.50	88045RVN9

$40,585,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number(1)
January 1, 2026	$10,065,000	4.00%	88045RVP4
July 1, 2030	14,555,000	4.30	88045RVQ2
July 1, 2034 (PAC)	$15,965,000	3.40	88045RVR0

$34,710,000 Issue 2009-B, Subseries B-5 (Non-AMT)*

$34,710,000 Term Bonds

Maturty Date	Principal Amount Due	Interest Rate	CUSIP Number(1)
July 1, 2041	$34,710,000(2)	(2)	88045RVS8

PRICE OF ALL SERIES BONDS: 100%

(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. THDA shall not be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

(2) A portion of THDA's $300,000,000 Housing Finance Program Bonds, Issue 2009-B (Taxable) in the aggregate principal amount of $34,710,000 will be converted and re-designated as the Issue 2009-B Bonds, Subseries B-5 (the "Subseries B-5 Bonds") upon the issuance and delivery of the Issue 2011-C Bonds (such date being the "Release Date"). The Subseries B-5 Bonds will bear interest from (and including) the Release Date to (but excluding) January 3, 2012, at a rate equal to the lesser of (a) the interest rate for Four Week U.S. Treasury Bills as of the second Business Day prior to the Release Date plus 75 basis points or (b) the Permanent Rate. Thereafter, the Subseries B-5 Bonds shall bear interest at the Permanent Rate of to maturity. The "Permanent Rate" will be calculated on or about October 27, 2011, and will be based on the sum of (i) the lowest 10-Year Constant Maturity Rate as reported by the U.S. Treasury in the period beginning September 6, 2011, and ending October 26, 2011, plus (ii) 75 basis points, but is not expected to be greater than 2.47%.

*Not offered hereby.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Issue 2011-C Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Issue 2011-C Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Issue 2011-C Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Issue 2011-C Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The Subseries B-5 Bonds were previously placed with investors and are not being offered by this Official Statement. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Issue 2011-C Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE SERIES BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE SERIES BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING OF THE ISSUE 2011-C BONDS MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE ISSUE 2011-C BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Caine Mitter & Associates Incorporated
Financial Advisor

OFFICIAL STATEMENT

TENNESSEE HOUSING DEVELOPMENT AGENCY

Housing Finance Program Bonds

$65,290,000 Issue 2011-C (Non-AMT)

$34,710,000 Issue 2009-B, Subseries B-5 (Non-AMT)*

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of the Issue 2011-C Bonds in the aggregate principal amount of $65,290,000 (the "Issue 2011-C Bonds") and the conversion and re-designation of a portion of THDA's Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") as the Issue 2009-B Bonds, Subseries B-5 (the "Subseries B-5 Bonds" and, together with the Issue 2011-C Bonds, the "Series Bonds") in the aggregate principal amount of $34,710,000.

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Issue 2011-C Bonds is authorized by the General Housing Finance Resolution, adopted by THDA on November 19, 2009, as amended and supplemented (the "General Resolution") and by a resolution adopted by THDA on September 27, 2011, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on October 5, 2011 (the "Issue 2011-C Supplemental Resolution"). The General Resolution and the Issue 2011-C Supplemental Resolution are herein collectively referred to as the "Resolution."

The Issue 2009-B Bonds were issued in the aggregate principal amount of $300,000,000 pursuant to the General Resolution and a resolution adopted by THDA on November 19, 2009, as amended and supplemented by the Bond Finance Committee on December 3, 2009 (the "Issue 2009-A/B Supplemental Resolution") and the New Issue Bond Program described herein under the heading "NEW ISSUE BOND PROGRAM." In connection with the issuance of the Issue 2011-C Bonds, THDA expects to convert and redesignate a portion of the Issue 2009-B Bonds as Housing Finance Program Bonds, Issue 2009-B, Subseries B-5 (the "Subseries B-5 Bonds") pursuant to the Issue 2009-A/B Supplemental Resolution as supplemented by the Issue 2011-C Supplemental Resolution. The Subseries B-5 Bonds are not being offered pursuant to this Official Statement. See a description of the New Issue Bond Program under the heading "NEW ISSUE BOND PROGRAM" herein.

The General Resolution was adopted in connection with THDA's implementation of the New Issue Bond Program. No assurance can be provided that THDA will continue to issue Bonds under the General Resolution upon the release of all proceeds of the Issue 2009-B Bonds held in escrow as described under the heading "NEW ISSUE BOND PROGRAM" herein.

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to the Bonds on August 24, 2011. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of August 31, 2011 (unaudited), bonds in the aggregate principal amount of $584,730,000 were outstanding under the General Resolution. In addition, as of August 31, 2011 (unaudited), bonds in the aggregate principal amount of $1,460,245,000 were outstanding under THDA's Homeownership Program Bond Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $72,195,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution").

Bonds issued under the Resolution, including the Series Bonds, are and will be special limited obligations of THDA, payable from the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the

*The Subseries B-5 Bonds are not offered hereby as described herein.

Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". Except as otherwise provided in the Resolution, all bonds issued under the Resolution, including the Series Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Series Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

The Issue 2011-C Bonds are being issued and the Subseries B-5 Bonds are being converted to make funds available to purchase Program Loans (or participations therein) to finance the ownership or improvement of single family housing within the State by eligible low and moderate income families. See "PROGRAM LOANS" herein. As used herein the term "Program Loan" includes mortgage loans originated since December 2009 directly financed with Bonds issued under the General Resolution together with certain loans transferred to the General Resolution ("Transferred Loans") as a result of the refunding of certain obligations under the 1985 General Resolution with the proceeds of a prior issue of Bonds under the General Resolution.

THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of August 31, 2011 (unaudited), 4,784 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $471,357,585. Based on the outstanding principal balance of Program Loans as of August 31, 2011, approximately 94.51% were FHA insured, approximately 0.93% were VA guaranteed, approximately 0.15% were insured by private mortgage insurance companies, approximately 3.31% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 1.10% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing). See "HOUSING FINANCE PROGRAM LOANS – Housing Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

THDA expects that the funds made available from the issuance of the Issue 2011-C Bonds, the conversion of the Subseries B-5 Bonds, and a contribution from THDA, will be made available to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) fund the Bond Reserve Fund. See "APPLICATION OF BOND PROCEEDS". The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Series Bonds, are described herein under the caption "PROGRAM LOANS – Description of Program Loans" and in Appendix G.

All Program Loans to be financed with lendable proceeds of the Series Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Series Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Series Bonds, the Resolution and certain provisions of the Act. Such summaries do not purport to be complete and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee.

Certain capitalized terms utilized herein are defined in Appendix D hereto. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

NEW ISSUE BOND PROGRAM

THDA issued $300,000,000 aggregate principal amount of Issue 2009-B Bonds in December 2009 as taxable, variable interest rate escrow bonds under the Single Family New Issue Bond Program (the "New Issue Bond Program") announced by the United States Department of the Treasury ("Treasury"), Fannie Mae and Freddie Mac. The Issue 2009-B Bonds were purchased by Fannie Mae and Freddie Mac (the "Purchasers") pursuant to the New Issue Bond Program and proceeds derived from the sale of the Issue 2009-B Bonds in an amount equal to $300,000,000 were deposited in the Issue 2009-B Escrow Subaccount of the Loan Fund established by the Issue 2009-A/B Supplemental Resolution. Under the New Issue Bond Program, the Purchasers exchanged the Issue 2009-B Bonds for securities issued by the Purchasers ("GSE Securities") backed by the Issue 2009-B Bonds which were purchased by the Treasury. Such GSE Securities are not part of the security for the Issue 2009-B Bonds. The Issue 2009-B Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches prior to December 31, 2011 (each such date, a "Release Date").

The release of amounts held in the Issue 2009-B Escrow Subaccount to become available to purchase Program Loans depends upon compliance with various conditions set forth in the agreement with the Purchasers and in the Issue 2009-A/B Supplemental Resolution, including a requirement that THDA shall have sold additional bonds to investors in accordance with standard bond underwriting practices (the "Market Bonds") in an aggregate principal amount at least equal to two-thirds of the amount of funds released. In order to release all amounts held in the Issue 2009-B Escrow Subaccount, THDA must issue a minimum of $200,000,000 aggregate principal amount of Market Bonds. For purposes of the New Issue Bond Program, the Issue 2011-C Bonds constitute Market Bonds, and upon the satisfaction of the conditions precedent to the release of a portion of the funds from the Issue 2009-B Escrow Subaccount, THDA expects to release $34,710,000 from the Issue 2009-B Escrow Subaccount (the "Released Issue 2009-B Proceeds") on the applicable Release Date which is expected to be the delivery date of the Issue 2011-C Bonds. The portion of the Issue 2009-B Bonds corresponding to the Released Issue 2009-B Proceeds will be re-designated as the Subseries B-5 Bonds on such Release Date. THDA previously released an aggregate principal amount of $265,290,000 of proceeds of the Issue 2009-B Bonds in four prior releases. Upon the release of the Released Issue 2009-B Proceeds, no funds will remain on deposit in the Issue 2009-B Escrow Subaccount. No assurance can be provided that THDA will continue to issue Bonds under the General Resolution subsequent to the issuance of the Issue 2011-C Bonds and the conversion and redesignation of the Subseries B-5 Bonds.

DESCRIPTION OF THE SERIES BONDS

General

The Issue 2011-C Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof and will be available in book-entry only form. Purchasers of the Issue 2011-C Bonds will not receive certificates representing their interest in the Issue 2011-C Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Issue 2011-C Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "Book-Entry Only System" for a description of the DTC book-entry only system.

The Issue 2011-C Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Issue 2011-C Bonds accrues from the dated date of the Issue 2011-C Bonds and is payable on July 1, 2012, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

The Subseries B-5 Bonds will mature on July 1, 2041. The Subseries B-5 Bonds are dated December 21, 2009, and will bear interest from November 3, 2011, with rates calculated as indicated on the inside front cover page of this Official Statement. Interest on the Subseries B-5 Bonds is payable on January 3, 2012, and semi-annually on each January 1 and July 1 thereafter, commencing July 1, 2012, on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Series Bonds

Sinking Fund Redemption

The Issue 2011-C Bonds maturing on January 1, 2026, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2023, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-C
Term Bonds Due January 1, 2026

Year	Amount Due January 1	Amount Due July 1
2023	$1,355,000	$1,380,000
2024	1,410,000	1,435,000
2025	1,465,000	1,495,000
2026	1,525,000 (maturity)	

The Issue 2011-C Bonds maturing on July 1, 2030, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2026, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-C
Term Bonds Due July 1, 2030

Year	Amount Due January 1	Amount Due July 1
2026		$1,555,000
2027	$1,585,000	1,620,000
2028	1,655,000	1,690,000
2029	1,725,000	1,765,000
2030	1,800,000	1,160,000 (maturity)

The Issue 2011-C Bonds maturing on July 1, 2034, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2030, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2011-C
PAC Term Bonds Due July 1, 2034

Year	Amount Due January 1	Amount Due July 1
2030		$ 680,000
2031	$1,880,000	1,920,000
2032	1,960,000	2,005,000
2033	2,045,000	2,090,000
2034	2,135,000	1,250,000 (maturity)

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The Subseries B-5 Bonds maturing on July 1, 2041, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2034, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Subseries B-5
Term Bonds Due July 1, 2041

Year	Amount Due January 1	Amount Due July 1	
2034		$ 930,000	
2035	$2,230,000	2,250,000	
2036	2,280,000	2,310,000	
2037	2,340,000	2,360,000	
2038	2,400,000	2,420,000	
2039	2,460,000	2,480,000	
2040	2,520,000	2,540,000	
2041	2,580,000	2,610,000	(maturity)

Optional Redemption. The Issue 2011-C Bonds maturing on and after July 1, 2021, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after January 1, 2021, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The Subseries B-5 Bonds are subject to redemption at the option of THDA prior to their maturity, either as a whole or in part on the first Business Day of each month commencing December 1, 2011, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of Issue 2011-C PAC Bonds. The Issue 2011-C PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Issue 2011-C PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2011-C Principal Payments (as defined below). Any Excess 2011-C Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Issue 2011-C PAC Bonds on any Interest Payment Date commencing July 1, 2012; provided, however, Issue 2011-C PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2011-C PAC Bonds remain Outstanding, Excess 2011-C Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Series Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-C PAC Bonds"), as determined by THDA, then available Excess 2011-C Principal Payments shall first be applied to redeem Issue 2011-C PAC Bonds up to an amount correlating to the Planned Amortization Amount (as defined below) for Issue 2011-C PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the Issue 2011-C PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Series Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2011-C Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) shall first be applied to redeem Issue 2011-C PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the Issue 2011-C PAC Bonds (any such remainder used to redeem Issue 2011-C PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2011-C Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the Issue 2011-C PAC Bonds' proportionate amount of all Issue 2011-C Bonds then Outstanding.

"Excess 2011-C Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds which do not constitute Excess Subseries B-5 Principal Payments to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.

"Planned Amortization Amount" means the dollar amount for each Interest Payment Date set forth in the Issue 2011-C Supplemental Resolution. Each Planned Amortization Amount represents the cumulative principal amount of Issue 2011-C PAC Bonds assumed to be redeemed from Excess 2011-C Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 75% PSA prepayment rate for Program Loans financed with the proceeds of the Series Bonds. See "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-C PAC Bonds" for a description of PSA prepayment rates.

The amortization schedule of the Issue 2011-C PAC Bonds, including the Planned Amortization Amounts for the Issue 2011-C PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Series Bonds in accordance with the expected schedule for such origination and receipt of principal prepayments on the Program Loans allocable to the Series Bonds at a rate equal to 75% of the PSA prepayment rate) as of each payment date is set forth below:

Issue 2011-C PAC Bonds Amortization Schedule

Date	Planned Amortization Amount
July 1, 2012	$ 120,000
January 1, 2013	525,000
July 1, 2013	1,205,000
January 1, 2014	2,140,000
July 1, 2014	3,305,000
January 1, 2015	4,580,000
July 1, 2015	5,805,000
January 1, 2016	6,980,000
July 1, 2016	8,110,000
January 1, 2017	9,195,000
July 1, 2017	10,230,000
January 1, 2018	11,220,000
July 1, 2018	12,170,000
January 1, 2019	13,075,000
July 1, 2019	13,935,000
January 1, 2020	14,755,000
July 1, 2020	15,530,000
January 1, 2021	15,965,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent Issue 2011-C PAC Bonds are redeemed from amounts on deposit in the Issue 2011-C/Subseries B-5 Subaccount of the Loan Fund and not applied to finance Program Loans.

For a description of the impact on the weighted average life of the Issue 2011-C PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Series Bonds at various speeds, see "ASSUMPTIONS REGARDING THE SERIES BONDS – Average Life of Issue 2011-C PAC Bonds."

Special Mandatory Redemption of Subseries B-5 Bonds. The Subseries B-5 Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Subseries B-5 Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Fund representing Excess Subseries B-5 Principal Payments (as defined below). Any Excess Subseries B-5 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Subseries B-5 Bonds at least once during each semi-annual period ending on January 1, or July 1, commencing July 1, 2012, to the extent there are at least $10,000 of Excess Subseries B-5 Principal Payments received during such semi-annual period.

"Excess Subseries B-5 Principal Payments" means, while any Issue 2011-C Bonds are Outstanding, a pro rata portion (calculated based on the then outstanding principal amount of the Subseries B-5 Bonds divided by the then outstanding principal amount of the Series Bonds), and subsequent to the payment, in full, of the Issue 2011-C Bonds, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.

Special Redemption of the Series Bonds, including Cross Calls. The Series Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Series Bonds not expected to be applied to the financing of Program Loans; (ii) except as otherwise described under the headings "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-C PAC Bonds," "-Special Mandatory Redemption of Subseries B-5 Bonds," and "-Mandatory Redemption – 10 Year Rule" repayments and prepayments of Program Loans allocated to the Series Bonds in excess of regularly scheduled debt service payments on the Series Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the "Code"), and (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses; provided, however, that the Issue 2011-C PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-C PAC Bonds" and (b) shall not be subject to redemption as described in clauses (iii) and (iv) above if such redemption would cause amortization of the Issue 2011-C PAC Bonds to exceed the Planned Amortization Amount shown above in the Issue 2011-C PAC Bonds Amortization Schedule. The Resolution permits the sale of Program Loans, including those allocated to the Series Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Series Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, the redemption price for the Issue 2011-C PAC Bonds in the event of a redemption described in clause (i) above shall be the issue price thereof (par plus initial premium, if any) plus accrued interest to the redemption date. The Series Bonds to be so redeemed shall be redeemed pro rata among all maturities then Outstanding and eligible for redemption, unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Series Bonds to be so redeemed; provided, however, that the Issue 2011-C PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Issue 2011-C Bonds then Outstanding in the event of a redemption pursuant to clause (i) above. See "ASSUMPTIONS REGARDING THE SERIES BONDS – Prepayments" and "ASSUMPTIONS REGARDING THE SERIES BONDS - THDA Redemption Practices". See "TAX MATTERS" herein for a description of the potential tax consequences of a redemption of the Issue 2011-C PAC Bonds at their issue price.

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Series Bonds or otherwise required to be applied to the redemption of the Issue 2011-C PAC Bonds or the Subseries B-5 Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Series Bonds received on or after November 3, 2021, shall be applied to redeem Series Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Series Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-C PAC Bonds," THDA shall direct the redemption of the Series Bonds pro rata among all maturities then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be redeemed; provided, however, that the Issue 2011-C PAC Bonds may be redeemed in an amount that exceeds the Planned Amortization Amount shown above in the Issue 2011-C PAC Bonds Amortization Table only if there are no other Series Bonds outstanding.

Mandatory Redemption – Unexpended Proceeds. The Series Bonds are subject to mandatory redemption on July 1, 2012, in the event and to the extent that there are unexpended proceeds of the Series Bonds on deposit in the Issue 2011-C/Subseries B-5 Bonds Subaccount of the Loan Fund on June 1, 2012, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2011-C Supplemental Resolution.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Series Bonds are subject to mandatory redemption on May 3, 2015, to the extent any amounts remain on deposit in the Issue 2011-C/Subseries B-5 Subaccount of the Loan Fund.

The redemption price of the Series Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the Issue 2011-C PAC Bonds shall be the issue price thereof (par plus initial premium, if any) plus accrued interest to the redemption date. THDA shall direct the redemption of the Series Bonds pro rata among all maturities of such Series Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be so redeemed; provided, however, that (i) the Subseries B-5 Bonds shall be redeemed on a pro-rata basis from among all Series Bonds then Outstanding and (ii) the Issue 2011-C PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Series Bonds then Outstanding. See "TAX MATTERS" herein for a description of the potential tax consequences of a redemption of the Issue 2011-C PAC Bonds at their issue price.

Selection By Lot

If less than all of the Series Bonds of like series and maturity are to be redeemed, the particular Series Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds, and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds, which notice shall specify the series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. In the event that the Trustee does not, at the time notice of any redemption is required to be given under the Resolution, hold on deposit in the Redemption Fund an amount sufficient to pay the Redemption Price of, plus interest accrued and unpaid to the redemption, such notice shall further state that the redemption is conditional upon sufficient funds being so deposited or transferred by or at the direction of THDA to the Redemption Fund and that, in the event such funds are not so deposited or transferred, the redemption shall be canceled, or reduced to the extent of funds actually on deposit, and written notice of such cancellation or reduction shall be given to the holders of Bonds which are not to be redeemed within ten (10) days following the proposed redemption date in the same manner as provided for notice of the redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than twenty (20) days (or such shorter period as may be acceptable to DTC) before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry-Only System" for a discussion of DTC practices.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Series Bonds, together with a contribution from THDA, will be credited or applied as set forth below:

SOURCES		
Par Amount of the Issue 2011-C Bonds	$	65,290,000.00
Released Issue 2009-B Proceeds		34,710,000.00
THDA Contribution		3,625,950.00
TOTAL SOURCES	$	103,625,950.00
USES		
Deposit to Issue 2011-C/Subseries B-5 Subaccount of the Loan Fund	$	100,000,000.00
Deposit to Bond Reserve Fund		3,000,000.00
Costs of Issuance		155,000.00
Underwriters' Fee		470,950.00
TOTAL USES	$	103,625,950.00

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable from the revenues and assets of THDA pledged under the Resolution. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution, including the Escrow Fund;

(c) All Funds and Accounts created by the Resolution, including the Bond Reserve Fund, and monies and securities therein, and amounts required by the Resolution to be deposited in the Escrow Fund (see Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION"); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. In accordance with the Act and the Resolution, THDA has established a Bond Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the "Bond Reserve Fund Requirement". The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the date of issuance of the Issue 2011-C Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, at any time, there is not a sufficient amount available in the Debt Service and Expense Account to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the Debt Service and Expense Account.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Series Bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING THE SERIES BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Series Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements upon the issuance or remarketing of Bonds, including the Series Bonds, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Issue 2011-C Bonds and the conversion of the Subseries B-5 Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumption that THDA originates approximately $100,000,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.50%. The maturities and Sinking Fund Payments for the Series Bonds have been structured on the assumption that Program Loans will experience no prepayments. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Issue 2011-C Bonds and the conversion of the Subseries B-5 Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for Bonds Outstanding. THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Series Bonds, when scheduled, may be adversely affected and the expected life of the Series Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Series Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Series Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Issue 2011-C Bonds and the conversion of the Subseries B-5 Bonds, will be deposited in the Issue 2011-C/Subseries B-5 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Issue 2011-C Bonds and the conversion of the Subseries B-5 Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. The current interest rates on Great Rate Program Loans are expected to be below the prevailing home mortgage interest rates offered by mortgage lenders in Tennessee at the time of delivery of the Series Bonds. In addition, THDA may use amounts made available from the issuance of the Issue 2011-C Bonds and the conversion of the Subseries B-5 Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "PROGRAM LOANS – Description of Program Loans" – Homeownership Choices" and Appendix G – "PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of Bonds, including the Series Bonds, will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans when bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds, however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of program loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

As of September 26, 2011, THDA committed approximately $64,000,000 of the proceeds of Issue 2011-B/Issue 2009-B, Subseries B-4 for the financing of Program Loans. Of that amount, approximately $43,400,000 has been expended for the financing of Program Loans. Approximately $36,000,000 of the proceeds of Issue

2011-B/Issue 2009-B, Subseries B-4 remain uncommitted. No assurance can be provided that all of such commitments will result in Program Loans financed under the Resolution.

THDA has not redeemed any bonds from unexpended proceeds under the General Resolution. The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from the Series Bonds will be fully expended for Program Loans.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Series Bonds. See "DESCRIPTION OF THE SERIES BONDS".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Series Bonds.

Changes in Federal or State Law

Legislation affecting the Series Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Series Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

On July 7, 2011, the U.S. Department of Housing and Urban Development announced changes to Federal Housing Administration and Making Home Affordable Program requirements that direct servicers to extend the period of time during which eligible borrowers may skip part or all of their monthly payments from three or four months to twelve months whenever possible. These requirements become effective on August 1, 2011, with a subsequent sixty day implementation period. At present, THDA cannot predict what effect, if any, these requirements would have on the Program Loan portfolio, which, together with other revenues and assets available under the Resolution, is the source of payment and security for the Series Bonds.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $236 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $20,000 for up to 18 months in 29 targeted counties and up to $15,000 for up to 12 months in 66 counties. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of August 31, 2011, 340 loans made under the HHF Program have closed. Five of these loans have been made with respect to Program Loans previously financed under the Resolution. None of the loans made under the HHF Program are pledged as security for the Bonds.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Series Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Series Bonds. To the extent THDA is required or elects to redeem the Series Bonds, it is probable that the Series Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the General Resolution, the resolutions adopted in connection with other issues of Bonds under the General Resolution (the "Bond Resolutions") and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Series Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Series Bonds as described herein under "DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – Special Mandatory Redemption of Issue 2011-C PAC Bonds," "– Special Mandatory Redemption of Subseries B-5 Bonds," "- Special Redemption of the Series Bonds, including Cross Calls" and "– Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The General Resolution and the Bond Resolutions specify when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF THE SERIES BONDS - Redemption Provisions for Series Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and Issues to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the General Resolution and/or the Bond Resolutions including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

THDA expects to pay Costs of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure costs, Operating Fees and Capital Replacement Fees, and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. In preparing the Projected Cash Flow Statement, THDA has assumed that an amount equal to 0.20% of the outstanding principal amount of Programs Loans financed under the General Resolution is withdrawn annually for the payment of Program Expenses. To the extent funds are available therefor, THDA currently expects to continue to pay other Program Expenses and other operating and administrative costs and expenses of THDA from the Housing Program Fund, a fund of THDA created in 1988 that is not subject to the lien of the Resolution. To the extent funds are not available from the Housing Program Fund, THDA expects to pay Program Expenses from other THDA resources outside the Resolution. See "THDA – THDA Funds."

Investment Assumptions

Estimated available investment income attributable to the Series Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until December 23, 2019, 1% until December 23, 2026, and 2% until the Series Bonds are fully redeemed; and (iii) funds on deposit in the Issue 2011-C/Subseries B-5 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Series Bonds when scheduled.

Average Life of Issue 2011-C PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the Issue 2011-C PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Series Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. "150% PSA" assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment

Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayment of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans financed with the proceeds of the Series Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Series Bonds and hence the weighted average life of the Issue 2011-C PAC Bonds. THDA has provided for the redemption of the Issue 2011-C PAC Bonds as described under the heading “DESCRIPTION OF THE SERIES BONDS - Redemption Provisions for Series Bonds—*Special Mandatory Redemption of Issue 2011-C PAC Bonds*”, and the weighted average lives of the Issue 2011-C PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2011-C/Subseries B-5 Subaccount of the Loan Fund is applied to finance Program Loans, (ii) Excess 2011-C Principal Payments will be used to redeem Issue 2011-C PAC Bonds only on Interest Payment Dates, and (iii) the Issue 2011-C PAC Bonds will be redeemed only in Planned Amortization Amounts as described under the heading “DESCRIPTION OF THE SERIES BONDS – Redemption Provisions for Series Bonds – *Special Mandatory Redemption of Issue 2011-C PAC Bonds*” and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate.

Projected Weighted Average Lives For Issue 2011-C PAC Bonds

PSA Speed	Average Life (in years)
25%	13.1
50	7.1
75	5.0
100	5.0
200	5.0
300	5.0
400	5.0
500	4.7

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HOUSING FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $594,710,000 total original principal amount of Bonds under the General Resolution, of which $584,730,000 (unaudited) were outstanding as of August 31, 2011, as shown below:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Amount Outstanding as of August 31, 2011 (unaudited)	Original Net Interest Cost
2009-A	December 23, 2009	$100,000,000	--	$ 96,750,000	3.96%
2009-B[1]	December 23, 2009	300,000,000	--	34,710,000	[2]
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	154,105,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	99,250,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	99,915,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	100,000,000	3.01
TOTAL		$594,710,000	$265,290,000	$584,730,000	

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(1) Portions of such Bonds were previously converted and redesignated as Issue 2009-B, Subseries B-1, Issue 2009-B, Subseries B-2, Issue 2009-B, Subseries B-3 and Issue 2009-B, Subseries B-4. The remainder of such Bonds is being converted and redesignated as the Subseries B-5 Bonds in connection with the Issue 2011-C Bonds offered hereunder.

(2) Variable rate, taxable. See "NEW ISSUE BOND PROGRAM."

Origination Experience

THDA's experience from December 23, 2009, to August 31, 2011, regarding origination of Program Loans[1] from lendable proceeds of Bonds issued since December 23, 2009, is shown in the following table:

Issue of Bonds	Lendable Proceeds	Program Loans Financed[2] as of August 31, 2011 Amount	%	Weighted Average Mortgage Interest Rate
2009-A	$ 98,833,984	$ 98,833,984	100.00%	5.38%
2010-A/2009-B-1	136,547,095	136,547,095	100.00	5.20
2010-B/2009-B-2	95,990,100	95,990,100	100.00	4.83
2011-A/2009-B-3	102,400,000	102,005,312	99.61	5.11
2011-B/2009-B-4	100,000,000	26,316,827[3]	26.32	5.10
TOTAL	$533,771,179	$459,693,318[4]		

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(1) See "HOUSING FINANCE PROGRAM LOANS—Description of Program Loans" for more information about Program Loans.

(2) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments and Transferred Loans are not included.

(3) As of September 26, 2011, THDA has issued commitments for Program Loans in the aggregate principal amount of approximately $64,000,000. Of this amount, approximately $43,400,000 of Program Loans have been purchased. No assurance can be provided that all of such commitments will result in Program Loans to be purchased.

(4) Excludes Transferred Loans.

In order to comply with the Code, certain Bonds issued by THDA resulted in the creation of pools of lendable proceeds which must be originated at very low or 0% interest to achieve yield compliance on such Bonds. The currently available amount of such pools of lendable proceeds, on an aggregate basis, is approximately $12,515,000 as of August 31, 2011. THDA intends to use such amounts, from time to time, to finance Program Loans on a blended basis, or at 0% interest, with the lendable proceeds of the Series Bonds or current or future Bonds to reduce interest rates on various types of Program Loans as determined by THDA.

HOUSING FINANCE PROGRAM LOANS

Description of Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limit is $200,160 for all counties except those counties in the Nashville Metropolitan Statistical Area (“MSA”). The THDA Acquisition Cost Limit is $226,100 for those counties in the Nashville MSA. The THDA Household Income Limits range from $54,480 to $92,680 depending on household size and geographic location. See Appendix G for a description of Program Loan Procedures related to Code requirements.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. As of September 1, 2011, the current interest rate for Great Rate Program Loans is 3.95%, the current interest rate for the Great Advantage Program Loans is 4.25% and the current interest rate for Great Start Program Loans is 4.55%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

Housing Finance Program Portfolio Data

General

As of August 31, 2011 (unaudited), 4,784 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $471,357,585 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 340.36 months and an approximate weighted average interest rate of 5.20%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of August 31, 2011 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA (1)	Number of Program Loans	Outstanding Balance (4)	Percent of Total Number of Program Loans (4)	Percent of Outstanding Balance (4)
FHA Insured………………………….	4,463	$445,494,944	93.29%	94.51%
VA Guaranteed………………………	55	4,396,435	1.15	0.93
Privately insured(2)..........................	15	708,521	0.31	0.15
Uninsured(3)………………………….	68	5,176,997	1.42	1.10
USDA/RD Guaranteed……………...	183	15,580,688	3.83	3.31
TOTAL…………………………..….	4,784	$471,357,585(5)	100.00%(5)	100.00%(5)

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOUSING FINANCE PROGRAM LOANS—Description of Program Loans" for a description of types of Program Loans.

(2) Consists of Transferred Loans transferred to the Resolution from the 1985 General Resolution in connection with the Issue 2010-A/2009-B Subseries B-1 Bonds.

(3) 22% minimum equity interest by borrower at time of closing.

(4) Rounded figures.

(5) Rounded total. Includes Transferred Loans.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Transferred Loans are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of August 31, 2011 (unaudited), 15 privately insured Program Loans all of which are Transferred Loans, having an aggregate balance of approximately $708,521 were outstanding under the General Resolution as shown below:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance (1)	Percent of Total Number of Program Loans(1)	Percent of Outstanding Balance (1)
Commonwealth/CMAC	2	$ 87,797	0.0418%	0.0186%
Genworth Mortgage Insurance Corp. (GE)	6	299,288	0.1254	0.0634
Radian Guaranty Inc.	2	82,795	0.0418	0.0175
Republic Mortgage Insurance Corporation	4	203,751	0.0836	0.0426
United Guaranty Residential Insurance Co.	1	34,890	0.0209	0.0074
TOTAL	15	$708,521(2)	0.3135%(2)	0.1495%(2)

(1) Rounded figures.
(2) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of August 31, 2011 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans(1)	Outstanding Balance (2)	Percent of Total Number of Program Loans(2)	Percent of Outstanding Balance (2)
0.00-0.99	27	$ 2,055,583	0.56%	0.44%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	0	0	0.00	0.00
3.00-3.99	54	5,247,160	1.13	1.11
4.00-4.99	1,390	143,854,102	29.07	30.53
5.00-5.49	2,089	220,848,391	43.64	46.83
5.50-5.99	761	77,419,374	15.91	16.43
6.00-6.49	52	2,248,940	1.09	0.48
6.50-6.99	286	14,241,068	5.98	3.02
7.00-7.49	25	1,373,036	0.52	0.29
7.50-7.99	13	906,437	0.27	0.19
8.00-8.49	67	2,765,665	1.40	0.59
8.50-8.99	20	397,827	0.42	0.08
TOTAL	4,784	$471,357,585(3)	100.00%(3)	100.00%(3)

(1) See “HOUSING FINANCE PROGRAM LOANS —Description of Program Loans” for a description of types of Program Loans.
(2) Rounded figures.
(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America (“MBA”).

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

For information with respect to defaults and foreclosures relating to THDA's Homeownership Program under the 1985 General Resolution, see related Official Statements and quarterly reports on file with the Municipal Securities Rulemaking Board at www.msrb.org.

Delinquencies and Foreclosures as of August 31, 2011

As of August 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.53%, based on a total of 4,784 Program Loans as of August 31, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of August 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF AUGUST 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	71	$6,450,452	1.59%	2.05%[4]
VA Guaranteed	1	94,701	1.82	1.29
Privately insured	0	0	0.00	0.79
USDA/RD Guaranteed	1	67,318	0.55	(5)
Uninsured	0	0	0.00	(5)
TOTAL	73	$6,612,471[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

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As of August 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 2.40%, based on a total of 4,784 Program Loans as of August 31, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of August 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF AUGUST 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	110	$10,095,003	2.47%	4.70%[4]
VA Guaranteed	1	148,034	1.82	2.45
Privately insured	2	118,934	13.33	1.49
USDA/RD Guaranteed	2	105,464	1.09	(5)
Uninsured	0	0	0.00	(5)
TOTAL	115	$10,467,435[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of August 31, 2011 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.63%, based on a total of 4,784 Program Loans as of August 31, 2011.

The foreclosure rate by loan type for Program Loans in foreclosure as of August 31, 2011 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2011, are as follows:

IN FORECLOSURE AS OF AUGUST 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	27	$2,718,124	0.61%	2.40%[4]
VA Guaranteed	2	124,784	3.64	1.85
Privately insured	0	0	0.00	1.65
USDA/RD Guaranteed	1	34,818	0.55	(5)
Uninsured	0	0	0.00	(5)
TOTAL	30	$2,877,727[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix J.

FINANCIAL SUMMARY OF HOUSING FINANCE PROGRAM

Consolidated Revenues and Net Assets

The following table summarizes consolidated revenues and net assets for Housing Finance Program Bonds for the years ended June 30, 2011, and June 30, 2010. Data in the table is expressed in thousands and is taken from the Agency's audited financial statements as of and for the years ended June 30, 2011, and June 30, 2010.

	Year Ended June 30 (Audited)	
Housing Finance Bond Group	**2011**	**2010**
REVENUES:		
Interest on Mortgages	$ 18,305	$ 3,143
Investment Income:		
Interest	501	69
Net Increase (decrease) in the Fair Value of Investments	(195)	185
Fees and Other Income	-	-
	18,611	3,397
EXPENSES:		
Interest	11,899	2,151
Issuance Cost	71	22
Mortgage Servicing Fees	1,229	208
Down Payment Assistance Grants	-	-
Other	81	19
	13,280	2,400
Excess of Revenues over Expenses	5,331	997
Net Assets/Retained Earnings at beginning of period	22,081	-
Loss on early retirement of bonds	-	-
Other Transfers	6,999	21,084
Net Assets/Retained Earnings at end of period	$ 34,411	$ 22,081

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. Bids are solicited by THDA in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of August 31, 2011 (unaudited), the short-term investment portfolio was placed as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 4,505,436
Federal Home Loan Bank Notes	11,382,206
Federal Home Loan Mortgage Corporation Notes	6,543,568
Fannie Mae Notes	2,530,058
United States Treasury Bonds	2,768,378
TOTAL	$ 27,729,646

$34,710,000 allocable to the Issue 2009-B Subaccount of the Loan Fund is invested in a money market fund held by the Trustee. Upon release of $34,710,000 principal amount of proceeds in connection with the conversion and re-designation of the Subseries B-5 Bonds, no funds will remain in the Issue 2009-B Subaccount of the Loan Fund.

As of August 31, 2011 (unaudited), amounts in the Bond Reserve Fund, a portion of the short-term investment portfolio described above, were invested as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 3,297,796
Federal Home Loan Bank Notes	2,590,393
Federal Home Loan Mortgage Corporation Notes	4,014,444
Fannie Mae Notes	1,617,428
United States Treasury Bonds	2,768,378
TOTAL	$ 14,288,439

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

THDA is subject to periodic review by the General Assembly to evaluate the necessity for its continued existence. THDA's existence has been continued until June 30, 2014.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of August 31, 2011 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $2,117,170,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors are shown below:

Name	**Term Expires**	**Principal Occupation**
Robyn J. Askew	July 1, 2013	Attorney, Bosch Law Firm Knoxville, TN
Phil M. Baggett	July 1, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
Brian Bills, Chairman	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Tim Bolding	July 1, 2012	Executive Director, United Housing, Inc. Memphis, TN
Mark Cate[(1)]	(2)	Special Assistant & Policy Advisor to the Governor
Philip C. Chamberlain, II	July 1, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Mark Emkes[(1)]	(2)	Commissioner, Department of Finance and Administration
William Graves	July 1, 2013	Retired. Formerly General Manager, Fleetwood Homes of TN, Inc., Gallatin, TN
Tre Hargett[(1)]	January, 2013	Secretary of State
Winston Henning	July 1, 2012	Executive Director, Jackson Housing Authority, Jackson, TN
Loretta J. Jercinovich	July 1, 2012	President, First State Bank Mortgage Division Jackson, TN
David H. Lillard, Jr.[(1)]	January, 2013	State Treasurer
Janis McNeely	July 1, 2013	Retired. Formerly, Relationship Manager, First Tennessee Home Loans, Nashville, TN
Alvin Nance	July 1, 2012	President/CEO, Knoxville's Community Development Corporation, Knoxville, TN
Ralph M. Perrey	July 1, 2015	Senior Business Developer—Appalachia, Fannie Mae, Nashville, TN
Lisa Reid	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
Benjie Shuler	July 1, 2012	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	July 1, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson[(1)]	January, 2013	Comptroller of the Treasury
Mary Chatman	(3)	Springfield, TN

(1) Ex officio member.

(2) Serves at pleasure of Governor.

(3) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 218 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ted R. Fellman – Executive Director since 2005. THDA employee since 1995. Formerly, Tennessee Department of Correction (1992-1995); Correctional Enterprises of Tennessee (1986-1992); Tennessee Department of Finance and Administration (1984-1986). B.S., Tennessee Technological University; M.P.A., Tennessee State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Ronald L. Erickson, C.P.A. – Director of Internal Audit since 2000. Formerly, Tennessee Department of General Services (1984-2000); Comptroller of the Treasury, Division of Municipal Audit (1980-1984). B.B.A., Austin Peay State University.

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Lindsay Pully – Director of Single Family Programs since February 2011. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Trent Ridley – Chief Financial Officer since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

Laura Sinclair – Chief Program Officer since February 2011. THDA employee since 2006. Formerly, Columbia National Mortgage (1998-2000); Tennessee Housing Development Agency (1997-1998); New Mexico Mortgage Finance Authority (1994-1997); North American Mortgage Co. (1992-1994); CBS Commercial Real Estate Co. (1990-1991); PaineWebber Mortgage Finance Co. (1984-1990). B.A., University of New Mexico.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in nine (9) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide for the creation of the Housing Program Fund, the Housing Program Reserve Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Homeownership Program and any of the other general bond resolutions or mortgage loan programs of THDA. The Housing Program Fund originally contained, among other things, state tax revenue statutorily directed to THDA for the HOUSE Program, a statutorily authorized grant program administered by THDA that is not related to the General Resolution, the Homeownership Program or any of the other general bond resolutions or mortgage loan programs of THDA. The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from THDA's Housing Bond Resolution (Mortgage Finance Program) in accordance with its terms, together with related investment earnings. The Housing Program Reserve Fund was created as a reserve for THDA's non-mortgage programs. See Appendix E under the heading "OTHER THDA FINANCINGS" for a description of each of these statutorily created funds. These funds are not pledged as security for the Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA:

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal year ending June 30, 2012.

Payment of THDA Operating Expenses, Including Program Expenses

THDA administers certain federal programs such as the low income housing tax credit program, the Section 8 voucher program and the HOME program and pays operating expenses associated with these programs from administrative fees earned or other fees charged in connection with the administration of these programs. Neither investment earnings from the Assets Fund nor amounts in the General Resolution have been used to pay the operating expenses associated with these programs.

From 1988 to 2002, investment earnings from amounts on deposit in the Assets Fund, as supplemented with investment earnings on other THDA funds, were a primary source for paying THDA operating and administrative costs and expenses, including staff salaries, Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and substantially all other expenses associated with the Homeownership Program and the other general bond resolutions and mortgage loan programs of THDA. Investment earnings from amounts on deposit in the Assets Fund were annually transferred by THDA to the Housing Program Fund, from which referenced expenses were paid. Although such investment earnings on amounts on deposit in the Assets Fund no longer exist due to the transfers from the Assets Fund to the State General Fund described above, THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure cost and other similar costs) and other THDA operating and administrative costs and expenses from the Housing Program Fund and other available funds under the 1974 General Resolution and the 1985 General Resolution. In the future, however, THDA expects to use more of the amounts available under THDA bond resolutions, including the General Resolution, for the payment of Program Expenses in addition to the payment of Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Regardless of THDA's best efforts and in the event of additional transfers, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

State Budget

The State-approved budget for fiscal year 2011-2012 which ends June 30, 2012 (the "FY 2011-2012 Budget") is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The FY 2011-2012 Budget, as adopted by the General Assembly, is based on State revenue growth estimates that reflect 3.35% growth in revenue collections in fiscal year 2011-2012.

For fiscal year 2011-2012, on an accrual basis, September 2011 was the second month in the fiscal year. For the second month of fiscal year 2011-2012, the General Fund was over collected by $4.5 million, and the four other funds that share in State tax revenue collections were under collected by $0.10 million. The total over collection for the two months of fiscal year 2011-2012 was $23.6 million.

If projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 58,551 active members in TCRS in the state and higher education employee group at June 30, 2011. This total includes 219 employees of THDA who are members of TCRS.

The state of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees in the state and higher education group, including THDA employees, are noncontributory.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The last valuation was effective July 1, 2009. The next valuation was effective July 1, 2011, and the results should be available in late December 2011.

Actuarial

At June 30, 2009, the date of the latest actuarial valuation, the unfunded actuarial liability when based on the actuarial value of assets was $2.719 billion, resulting in a funded ratio of 90.6%. The unfunded actuarial liability would have been $7.108 billion if based on the market value of assets. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2011, and ending June 30, 2012, is 14.91% based on the actuarial valuation effective July 1, 2009. The July 1, 2011, actuarial valuation will establish the employer contribution rate for the two year period beginning July 1, 2012, and ending June 30, 2014. The results of the 2011 valuation should be available in late December of 2011.

A history of THDA's contributions to TCRS is reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2012	14.91%	$12,151,100*	$1,811,729*	1.36%
2011	14.91%	10,593,944	1,585,654	1.25
2010	13.02%	9,956,646	1,295,272	1.03
2009	13.02%	9,267,262	1,201,303	0.98
2008	13.66%	9,602,067	1,297,298	1.02
2007	13.58%	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2011, the salary of THDA employees totaled $10,593,944, which represents 0.43% of the $2.510 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred market losses that have been actuarially smoothed are recognized over the next ten years.

GASB Exposure Draft Amending Statement 27

The Governmental Accounting Standards Board (GASB) has issued an exposure draft amending GASB statement number 27 relative to accounting and reporting for pensions. If adopted as proposed, it would separate pension accounting from pension funding, which heretofore have been tied together. The amendment proposes a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, the amendment proposes a methodology for measuring the pension liability to be presented in the employer's financial statement. No prediction can be made as to whether and in what form it might be adopted and as to any actual effects. However, financial statement presentation will not affect the pension funding methodologies described herein.

Other Post-Employment Benefits

Certain Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2009, which was updated as of July 1, 2010, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $3,316,000 and the annual required contribution for THDA is approximately $358,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2012. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1985 General Resolution or the 1974 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the “Program Documents”) in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Issue 2011-C Bonds and the conversion and redesignation of the Subseries B-5 Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Series Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Series Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Issue 2011-C Bonds and conversion and redesignation of the Subseries B-5 Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Interest on the Series Bonds (i) will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (ii) is not included in corporations’ calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Series Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income”, taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Series Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Series Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series Bonds. An example of such legislation is the American Jobs Act of 2011 (S. 1549), proposed by the President and introduced in the Senate on September 13, 2011. If enacted as introduced, a provision of S. 1549 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Series Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series Bonds or the market value thereof would be impacted thereby. Purchasers of the Series Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery, or conversion, as applicable, of the Series Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Issue 2011-C Bonds and conversion of Subseries B-5 Bonds, as applicable, interest on the Series Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Series Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned the Series Bonds a rating of Aa2. Such rating reflects only the views of the rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's. THDA has furnished to Moody's certain information and materials with respect to the Series Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 1974 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, without regard to whether such Rule applies to the placement of the Subseries B-5 Bonds, THDA, in the Issue 2009-A/B Supplemental Resolution and in the Issue 2011-C Supplemental Resolution for the benefit of the Beneficial Owners of the Series Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared as described in "FINANCIAL STATEMENTS" below, and an annual updating of certain information relating to the Program Loans, including, without limitation, information with respect to the outstanding balances of such Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, and in Appendix E (collectively, "Annual Financial Information") and annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements. If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, with (i) the MRSB and (ii) the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Series Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Bond Reserve Fund reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements, if any, for the Series Bonds, reflecting financial difficulties; (v) substitution of credit or liquidity providers, if any, for the Series Bonds, or their failure to perform; (vi) adverse tax opinions, or material notices of determinations with respect to the tax status of the Series Bonds or other material events affecting the tax-exempt status of the Series Bonds; (vii) modifications to rights of holders of the Series Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Series Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Issuer (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent of similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2011-C Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the Series Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2011-C Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, as applicable, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Series Bonds, or (ii) the holders of the Series Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Series Bonds pursuant to the General Resolution as in effect on the date of the Issue 2011-C Supplemental Resolution or the Issue 2009-A/B Supplemental Resolution, as applicable, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2011-C Supplemental Resolution and the Issue 2009-A/B Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2011-C Bonds and the Issue 2009-B Bonds (including the Subseries B-5 Bonds), respectively. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Series Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Series Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Series Bonds, a certificate of THDA and the opinion of the General Counsel of THDA will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series Bonds, or in any way contesting or affecting the validity of the Series Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Series Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Issue 2011-C Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Issue 2011-C Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York. Certain legal matters incident to the conversion of the Subseries B-5 Bonds will be passed upon by Kutak Rock LLP.

FINANCIAL STATEMENTS

Appendix A contains the audited financial statements of THDA and supplementary data as of and for the fiscal years ending June 30, 2011, and June 30, 2010, together with the letter thereon from Arthur A. Hayes, Jr., CPA, Director, Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee. Such audited financial statements and supplementary data are included herein in reliance upon the report thereon of such official. The audited financial statements are audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”).

UNDERWRITING

Morgan Keegan & Company, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, Citigroup Global Markets Inc., Raymond James & Associates, Inc., M.R. Beal & Company and Wiley Bros.—Aintree Capital LLC (collectively, the “Underwriters”) have agreed, subject to certain conditions (including the conversion of the Subseries B-5 Bonds), to purchase Issue 2011-C Bonds from THDA at a purchase price of 100% of the principal amount thereof. The Underwriters will be paid a fee in connection with the purchase of the Issue 2011-C Bonds in an amount equal to $470,950.00. The obligations of the Underwriters to purchase the Issue 2011-C Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Issue 2011-C Bonds if any such Issue 2011-C Bonds are purchased. The Underwriters are not acting as placement agents with respect to the Subseries B-5 Bonds and such Subseries B-5 Bonds are not being offered or remarketed hereby.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the 2011-C Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Issue 2011-C Bonds.

M.R. Beal & Company has entered into an agreement (the “Distribution Agreement”) with TD Ameritrade, Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the Distribution Agreement (as applicable for this transaction), M.R. Beal & Company will share a portion of its underlying compensation with respect to the transaction with TD Ameritrade, Inc.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Bonds.

With respect to the Subseries B-5 Bonds, this Official Statement is deemed to be a supplement to the Official Statement and Private Placement Memorandum of THDA dated December 3, 2009, provided in connection with the delivery of the Issue 2009-B Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ted R. Fellman
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

September 30, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2011, and June 30, 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other

responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2011, and June 30, 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we will issue a report dated September 30, 2011, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2011 and June 30, 2010. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2011, THDA has originated over 106,000 single-family mortgage loans in its 38-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements

of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at http://tennessee.gov/finance/act/cafr.html.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2011

- Total assets decreased by $180.0 million, or 6.2 %.
- Total liabilities decreased by $181.2 million, or 7.6%.
- Net assets (the amount that total assets exceeds total liabilities) were $520.0 million. This is an increase of $1.2 million, or 0.2%, from fiscal year 2010.
- Cash and cash equivalents decreased $193.9 million, or 38.4%.
- Total investments increased $23.8 million, or 11.2%.
- Bonds and notes payable decreased $176.7 million, or 7.6%.
- THDA originated $231.1 million in new loans, which is a decrease of $113.0 million, or 32.8%, from the prior year.

Year Ended June 30, 2010

- Total assets increased by $354.8 million, or 13.9 %.
- Total liabilities increased by $346.0 million, or 16.9%.
- Net assets (the amount that total assets exceeds total liabilities) were $518.8 million. This is an increase of $8.8 million, or 1.7%, from fiscal year 2009.
- Cash and cash equivalents increased $361.0 million, or 251.8%.
- Total investments decreased $139.2 million, or 39.7%.
- Bonds and notes payable increased $344.6 million, or 17.4%.
- THDA originated $344.0 million in new loans, which is an increase of $129.5 million, or 60.4%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Current assets	$ 304,429	$ 397,864	$ 313,017
Capital assets	157	79	29
Other noncurrent assets	2,430,331	2,516,989	2,247,094
Total assets	2,734,917	2,914,932	2,560,140
Current liabilities	150,534	193,765	145,096
Noncurrent liabilities	2,064,427	2,202,405	1,905,071
Total liabilities	2,214,961	2,396,170	2,050,167
Invested in capital assets	157	79	29
Restricted net assets	517,587	514,383	508,036
Unrestricted net assets	2,212	4,300	1,908
Total net assets	$ 519,956	$ 518,762	$ 509,973

2011to 2010

- THDA's total net assets increased $1.2 million, or 0.2%, from $518.8 million at June 30, 2010 to $520.0 million at June 30, 2011. While various factors accounted for this change, the most significant factors include a decrease in interest expense, an increase in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, an increase in other program expenses, and a decrease in federal grant administration fees.

- Mortgage loans receivable increased $3.8 million, or 0.2%, from $2,115.6 million at June 30, 2010 to $2,119.4 million at June 30, 2011. During FY 2011, single-family mortgage loan originations decreased $113.0 million, or 32.8% from $344.1 million in FY 2010 to $231.1 million in FY 2011. Conversely, mortgage loan prepayments (which includes loans in which a foreclosure sale has occurred) increased $0.9 million, or 0.5%, from $179.3 million in FY 2010 to $180.2 million in FY 2011.

- Total liabilities decreased $181.2 million, or 7.6%, from $2,396.2 million at June 30, 2010 to $2,215.0 million at June 30, 2011. The decrease is primarily due to a reduction in the amount of bonds issued during fiscal year 2011 as compared to fiscal year 2010, as well as an increase in the redemption of bonds as compared to fiscal year 2010.

2010 to 2009

- THDA's total net assets increased $8.8 million, or 1.7%, from $510.0 million at June 30, 2009 to $518.8 million at June 30, 2010. This resulted from operating revenues that exceeded operating expenses.

- Mortgage loans receivable increased $116.2 million, or 5.8%, from $1,999.4 million at June 30, 2009 to $2,115.6 million at June 30, 2010. This increase resulted from mortgage loan originations that exceeded mortgage loan prepayments and repayments.

- Total liabilities increased $346.0 million, or 16.9%, from $2,050.2 million at June 30, 2009 to $2,396.2 million at June 30, 2010. The increase is primarily due to a increase in the amount of bonds issued during fiscal year 2010 as compared to fiscal year 2009, primarily, the issuance of bonds in the Housing Finance Program Bonds Resolution.

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Operating revenues			
Mortgage interest income	$ 119,406	$ 118,572	$ 119,500
Investment income	6,156	14,517	17,905
Other	17,041	17,588	14,186
Total operating revenues	142,603	150,677	151,591
Operating expenses			
Interest expense	88,301	93,154	93,103
Other	38,905	32,677	29,931
Total operating expenses	127,206	125,831	123,034
Operating income	15,397	24,846	28,557
Nonoperating revenues (expenses)			
Grant revenues	355,754	254,417	186,800
Grant expenses	(369,957)	(270,474)	(199,132)
Total nonoperating revenues (expenses)	(14,203)	(16,057)	(12,332)
Change in net assets	$ 1,194	$ 8,789	$ 16,225

2011 to 2010
Total operating revenues decreased $8.1 million from $150.7 million for the year ended June 30, 2010 to $142.6 million for the year ended June 30, 2011. The primary reasons for this decrease are as follows:

- Investment income decreased $8.4 million, or 57.6%, from $14.5 million in 2010 to $6.2 million in 2011. This decrease is primarily due to a decrease in the fair value of investments of $4.9 million in FY 2011 as compared to an increase in the fair value of investments of $1.7 million in FY 2010.

- Federal grant administration fees decreased $1.2 million, or 8.1%, from $15.1 million in 2010 to $13.9 million in 2011. This primarily resulted from a decrease in federal administrative fees earned on the Section 8 tenant-based HCV program.

For the year ended June 30, 2011, total operating expenses increased $1.4 million, or 1.1%, from $125.8 million in 2010 to $127.2 million in 2011. The primary reasons for this increase are as follows:

- Interest expense decreased $4.9 million, or 5.2%, from $93.2 million in 2010 to $88.3 million in 2011. This decrease is primarily due to a decrease in bonds payable during FY 2011.

- Other program expenses increased $5.4 million, or 84.6%, from $6.4 million in 2010 to $11.9 million in 2011. There were several factors that contributed to this increase, among which were an increase in expenses related to mortgage loan foreclosures and incurring administrative expenses in administering ARRA grants as well as in implementing the Hardest Hit Fund (HHF).

2010 to 2009
For the year ended June 30, 2010, total operating revenues decreased $.9 million from $151.6 million for the year ended June 30, 2009, to $150.7 million for the year ended June 30, 2010.

For the year ended June 30, 2010, total operating expenses increased $2.8 million, or 2.3%, from $123.0 million in 2009 to $125.8 million for the year ended June 30, 2010.

While the total net assets for fiscal year 2010 increased $8.8 million from the previous year, the non-monetary change in the fair value of investments contributed $3.8 million toward this increase. When considered without these non-monetary components, net assets would have increased $5.0 million.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2011	2010	2009
Bonds payable	$ 2,140,486	$ 2,316,748	$ 1,972,561
Notes payable	3,250	3,672	3,250
Total bonds and notes payable	$ 2,143,736	$ 2,320,420	$ 1,975,811

Year Ended June 30, 2011
Total bonds and notes payable decreased $176.7 million, or 7.6%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $201.9 million, with activity arising from three bond issues.

Year Ended June 30, 2010
Total bonds and notes payable increased $344.6 million, or 17.4%, due primarily to an increase in the issuance of THDA's bonds. During the fiscal year, THDA issued debt totaling

$551.0 million, with activity arising from four bond issues. During FY 2010, THDA participated in the New Issue Bond Program (NIBP) as established by the United States Treasury Department. Principal redemptions during FY 2010 totaled $203.6 million.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designed, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	60,000,000	Bond Issue 2009-B, Subseries B-3

As of June 30, 2011, the amount of bonds remaining in the Issue 2009-B1 escrowed bonds was $94,710.000.

Considering the investment requirements for the NIBP escrowed bonds as established by the United States Treasury Department, the proceeds of these escrowed bonds are presented on the Statements of Net Assets as Non-Current Assets, Restricted Assets, Cash and Cash Equivalents. Bonds issued under the NIBP have been placed in the Housing Finance Program Bonds resolution.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

There were no revisions to THDA's bond ratings during FY 2011 or FY 2010.

Debt Limits
In accordance with *Tennessee Code Annotated* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2011	FY 2010	FY 2009 and Prior	Total
Funding Sources:				
THDA	$ 6,000,000	$ 6,000,000	$ 18,000,000	$ 30,000,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 2,100,000	$ 3,500,000
Ramp Program (UCP)	-	-	50,000	50,000
Ramp Program	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	-	300,000
Homebuyer Education Initiative	-	-	300,000	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	6,000,000	10,000,000
Competitive Grants	3,150,000	3,150,000	13,500,000	19,800,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2011, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2011, 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/singlefamily/hochoices.html.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2011, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,725	521	39,122,105	1.95%
90+ Days Past Due	26,725	1,085	81,167,263	4.06%
In Foreclosure	26,725	308	24,127,169	1.15%

As of June 30, 2010, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,756	657	46,015,708	2.46%
90+ Days Past Due	26,756	1,293	95,704,596	4.83%
In Foreclosure	26,756	136	10,466,566	0.51%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 203,071	$ 270,188
Investments (Note 2)	-	14,579
Receivables:		
Accounts	23,750	28,463
Interest	12,854	13,258
First mortgage loans	49,947	48,601
Due from federal government	14,807	22,775
Total current assets	304,429	397,864
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	107,502	234,268
Investments (Note 2)	196,928	181,751
Investment interest receivable	2,261	2,169
Investments (Note 2)	38,857	15,643
First mortgage loans receivable	2,069,473	2,066,997
Deferred charges	12,327	13,209
Advance to local government	2,983	2,952
Capital assets:		
Furniture and equipment	517	346
Less accumulated depreciation	(360)	(267)
Total noncurrent assets	2,430,488	2,517,068
Total assets	2,734,917	2,914,932
LIABILITIES		
Current liabilities:		
Warrants / wires payable (Note 3)	10,913	8,297
Accounts payable	5,121	6,617
Accrued payroll and related liabilities	472	443
Compensated absences	477	494
Interest payable	45,076	47,267
Escrow deposits	528	585
Prepayments on mortgage loans	1,662	1,862
Notes payable (Note 4)	3,250	-
Bonds payable (Note 4)	83,035	128,200
Total current liabilities	150,534	193,765
Noncurrent liabilities:		
Notes payable (Note 4)	-	3,672
Bonds payable (Note 4)	2,057,451	2,188,548
Compensated absences	517	451
Net OPEB obligation (Note 9)	994	794
Escrow deposits	4,248	4,393
Arbitrage rebate payable	1,217	4,547
Total noncurrent liabilities	2,064,427	2,202,405
Total liabilities	2,214,961	2,396,170
NET ASSETS		
Invested in capital assets	157	79
Restricted for single family bond programs (Note 5 and Note 7)	504,874	504,955
Restricted for grant programs (Note 5)	9,560	6,274
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,154
Unrestricted (Note 7)	2,212	4,300
Total net assets	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
OPERATING REVENUES		
Mortgage interest income	$ 119,406	$ 118,572
Investment income:		
Interest	11,042	12,846
Net increase (decrease) in the fair value of investments	(4,886)	1,671
Federal grant administration fees	13,916	15,136
Fees and other income	3,125	2,452
Total operating revenues	142,603	150,677
OPERATING EXPENSES		
Salaries and benefits	15,190	13,841
Contractual services	2,625	3,315
Materials and supplies	226	321
Rentals and insurance	97	90
Other administrative expenses	465	502
Other program expenses	11,878	6,433
Interest expense	88,301	93,154
Mortgage service fees	7,601	7,394
Issuance costs	730	723
Depreciation	93	58
Total operating expenses	127,206	125,831
Operating income	15,397	24,846
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	355,754	253,712
Other grants revenue	-	705
Federal grants expenses	(355,862)	(253,605)
Local grants expenses	(14,095)	(16,869)
Total nonoperating revenues (expenses)	(14,203)	(16,057)
Change in net assets	1,194	8,789
Total net assets, July 1	518,762	509,973
Total net assets, June 30	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 352,565	$ 338,749
Receipts from federal government	14,241	15,117
Other miscellaneous receipts	3,125	2,575
Acquisition of mortgage loans	(231,061)	(344,054)
Payments to service mortgages	(7,601)	(7,394)
Payments to suppliers	(21,317)	(11,543)
Payments to federal government	(3,331)	128
Payments to employees	(15,266)	(13,422)
Net cash provided (used) by operating activities	91,355	(19,844)
Cash flows from non-capital financing activities:		
Operating grants received	363,397	245,158
Negative cash balance implicitly financed (repaid)	2,616	(4,153)
Proceeds from sale of bonds	201,856	550,973
Proceeds from issuance of notes	-	500
Operating grants paid	(370,436)	(266,217)
Cost of issuance paid	(1,907)	(2,237)
Principal payments	(371,942)	(203,603)
Interest paid	(90,953)	(93,775)
Net cash provided (used) by non-capital financing activities	(267,369)	226,646
Cash flows from capital and related financing activities:		
Purchases of capital assets	(172)	(108)
Net cash (used) by capital and related financing activities	(172)	(108)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	282,923	450,136
Purchases of investments	(311,750)	(309,431)
Investment interest received	11,000	13,557
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	130	91
Net cash provided (used) by investing activities	(17,697)	154,353
Net increase (decrease) in cash and cash equivalents	(193,883)	361,047
Cash and cash equivalents, July 1	504,456	143,409
Cash and cash equivalents, June 30	$ 310,573	$ 504,456

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	$ 15,397	$ 24,846
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	823	781
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,716	(7,506)
(Increase) decrease in mortgage interest receivable	352	(269)
(Increase) in first mortgage loans receivable	(3,854)	(116,213)
(Increase) decrease in due from federal government	325	(19)
(Increase) in deferred charges	(4,076)	(2,237)
Decrease in other receivables	-	123
Increase (decrease) in accounts payable	(1,420)	533
Increase in accrued payroll / compensated absences	278	116
(Decrease) in deferred revenue	-	(37)
Increase (decrease) in arbitrage rebate liability	(3,331)	1,401
Investment income included as operating revenue	(6,156)	(14,517)
Interest expense included as operating expense	88,301	93,154
Total adjustments	75,958	(44,690)
Net cash provided (used) by operating activities	$ 91,355	$ (19,844)
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ (3,643)	$ 3,789
Total noncash investing, capital, and financing activities	$ (3,643)	$ 3,789

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both

restricted and unrestricted resources are available for use, generally it is the agency's policy to use the restricted resources first.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the New Issue Bond Program (NIBP) 2009-B escrowed bond investments.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

The NIBP 2009-B escrowed bond investments are restricted for use in the 2009 resolution. These invested funds are restricted to be released, converted and blended with market rate bonds.

f. Bond Issuance Costs and Refunding Costs

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond Refunding Costs: The agency amortizes bond refunding costs using the straight-line method. Bonds payable is reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments

include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2011, the bank balance was $6,806,625. At June 30, 2010, the bank balance was $4,327,770. All bank balances at June 30, 2011 were insured, except the Bank of New York Mellon (BNYM) accounts. All bank balances at June 30, 2010 were insured. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2011, $4,304,256

was in the BNYM. Of this amount, $4,054,256 was above the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.tn.gov/treasury.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2011		**June 30, 2010**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$146,532,606	2.052	$110,758,327	1.464
U.S. Agency Discount	0	N/A	40,000,000	0.000
U.S. Treasury Coupon	89,252,190	5.248	91,214,027	5.898
U.S. Treasury Discount	94,789,957	0.073	214,769,030	0.000
Total	$330,574,753	1.803	$456,741,384	1.030

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.6875 of par on April 17, 2009. Although these securities were scheduled to mature on April 17, 2024, these bonds were called on July 17, 2010. The fair value of these securities on June 30, 2010, was $2,001,594 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,865,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on November 12, 2009. Although these securities were scheduled to mature on November 12, 2024, these bonds were called on August 12, 2010. The fair value of these securities on June 30, 2010, was $1,871,995 which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 6, 2010. Although these securities were scheduled to mature on January 6, 2025, these bonds were called on July 6, 2010. The fair value of these securities on June 30, 2010, was $5,001,563 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.50 of par on January 28, 2010. Although these securities were scheduled to mature on January 28, 2025, these bonds were called on January 28, 2011. The fair value of these securities on June 30, 2010, was $2,532,933 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 27, 2010. Although these securities were scheduled to mature on November 27, 2015, these bonds were called on December 23, 2010. The fair value of these securities on June 30, 2010, was $1,011,875 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.75 of par on August 26, 2010, and mature on August 26, 2022. The fair value of these securities on June 30, 2011, is $1,490,622 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.25% on August 26, 2013, to 3.5% on August 26, 2016, to 4.0% on August 26, 2019, to 6.0% on August 26, 2020, and to 8.0% on August 26, 2021. This investment is callable quarterly beginning on August 26, 2011, and ending on November 26, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.73 of par on September 30, 2010, and mature on September 30, 2015. The fair value of these securities on June 30, 2011, is $2,004,608 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.125% with a step-up option to 2.5% on September 30, 2012. This investment is callable quarterly beginning on March 30, 2011, and ending on September 30, 2012.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on September 29, 2010, and mature on September 29, 2025. The fair value of these securities on June 30, 2011, is $1,998,572 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on September 29, 2011, to 3.0% on September 29, 2012 and to 6.0% on September 29, 2013. This investment is callable quarterly beginning on December 29, 2010, and ending on December 29, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.55 of par on August 4, 2010, and mature on August 4, 2025. The fair value of these securities on June 30, 2011, is $1,971,350 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.5% on August 4, 2013, to 4.0% on August 4, 2016, to 5.0% on August 4, 2019, to 6.0% on August 4, 2021, to 7.0% on August 4, 2023, and to 8.0% on August 4, 2024. This investment is callable quarterly beginning on February 4, 2011 and ending on February 4, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on September 30, 2010, and mature on September 30, 2020. The fair value of these securities on June 30, 2011, is $2,007,976 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.5% on March 31, 2011, and to 4.0% on September 30, 2011. This investment is callable quarterly beginning on March 30, 2011 and ending on December 20, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on October 15, 2010, and mature on October 15, 2025. The fair value of these securities on June 30, 2011, is $2,000,916 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on October 15, 2011, to 5.0% on October 15, 2015, and to 6.0% on October 15, 2020. This investment is callable quarterly beginning on April 15, 2011 and ending on July 15, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on January 28, 2026. The fair value of these securities on June 30, 2011, is $2,996,115 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 5.0% on January 28, 2013, and to 6.0% on January 28, 2016. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 9, 2011, and mature on February 9, 2021. The fair value of these securities on June 30, 2011, is $3,003,411 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on February 9, 2013. This investment is callable quarterly beginning on August 9, 2011 and ending on November 9, 2013.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on July 28, 2016. The fair value of these securities on June 30, 2011, is $1,001,257 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on January 28, 2014. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 16, 2011, and mature on February 16, 2021. The fair value of these securities on June 30, 2011, is $4,004,460 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 4.0% on August 16, 2011, and to 6.0% on February 16, 2016. This investment is callable quarterly beginning on August 16, 2011 and ending on February 16, 2014.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.60 of par on June 17, 2011, and mature on December 17, 2025. The fair value of these securities on June 30, 2011, is $977,172 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.75% with a step-up option to 4.0% on December 17, 2015, to 4.25% on December 17, 2019, to 4.5% on December 17, 2021, to 5.0% on December 17, 2022, to 6.0% on December 17, 2023, and to 8.0% on December 17, 2024. This investment is callable quarterly beginning on September 17, 2011 and ending on December 17, 2013.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 30, 2011, and mature on June 30, 2016. The fair value of these securities on June 30, 2011, is $3,965,880 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.375% with a step-up option to 1.75% on June 30, 2013, to 2.0% on June 30, 2014, to 2.5% on December 30, 2014, to 3.0% on June 30, 2015, to 4.0% on September 30, 2015, to 5.0% on December 30, 2015, and to 6.0% on March 30, 2016. This investment is callable quarterly beginning on September 30, 2011 and ending on December 30, 2013.

The agency purchased $3,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.92 of par on May 6, 2011, and mature on July 14, 2015. The fair value of these securities on June 30, 2011, is $3,500,522 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on July 14, 2011, to 3.0% on July 14, 2012, to 4.0% on July 14, 2013, and to 5.0% on July 14, 2014. This investment is callable quarterly beginning on July 14, 2011 and ending on July 14, 2014.

The agency purchased $2,150,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on April 27, 2011, and mature on April 27, 2026. The fair value of these securities on June 30, 2011, is $2,166,542 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.5% with a step-up option to 6.0% on April 27, 2013. This investment is callable quarterly beginning on July 27, 2011 and ending on October 27, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.75 of par on May 18, 2011, and mature on May 18, 2026. The fair value of these securities on June 30, 2011, is $2,005,234 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on May 18, 2013. This investment is callable quarterly beginning on May 18, 2012 and ending on November 18, 2014.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2011 and June 30, 2010 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2011

Investment Type	Fair Value	U.S. Treasury / Agency[1]	Credit Quality Rating AAA	AA-2	Not Rated[3]
U.S. Agency Coupon	$146,532,606		$140,738,006	$5,176,721	$617,879
U.S. Treasury Coupon	89,252,190	$89,252,190			
U.S. Treasury Discount	94,789,957	94,789,957			
Repurchase Agreements	100,000,000				100,000,000
Total	$430,574,753	$184,042,147	$140,738,006	$5,176,721	$100,617,879

June 30, 2010

Investment Type	Fair Value	U.S. Treasury / Agency[1]	Credit Quality Rating AAA	AA-2	A-1+[2]	Not Rated[3]
U.S. Agency Coupon	$110,758,327		$104,877,194	$5,226,172		$654,961
U.S. Agency Discount	40,000,000				$40,000,000	
U.S. Treasury Coupon	91,214,027	$91,214,027				
U.S. Treasury Discount	214,769,030	214,769,030				
Repurchase Agreements	124,000,000					124,000,000
Total	$580,741,384	$305,983,057	$104,877,194	$5,226,172	$40,000,000	$124,654,961

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

Issuer	June 30, 2011 Fair Value	June 30, 2011 % of Portfolio	June 30, 2010 Fair Value	June 30, 2010 % of Portfolio
Federal Home Loan Bank	$24,769,777	5.75	$51,165,877	8.81
Federal Home Loan Mortgage Corp	$32,375,496	7.52	N/A	N/A
Federal National Mortgage Assoc	$75,255,894	17.48	$73,222,727	12.61
Repurchase Agreements – Morgan Stanley Dean Witter	$60,000,000	13.93	$101,000,000	17.39
Repurchase Agreements – UBS	$40,000,000	9.29	$23,000,000	3.96

[1] This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. As stated in GASB Statement 40, these are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are primarily for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$75,280	$93,060
Less: Deferred Amount on Refundings				(2,579)	(2,730)
Net Mortgage Finance Program Bonds				$72,701	$90,330

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
1996-5	7/1/99-7/1/2028	$60,000	3.85 to 5.75	$ -0-	$17,480
1997-1	7/1/99-7/1/2028	57,885	4.00 to 5.40	-0-	17,285
1997-2	7/1/2000-7/1/2029	50,000	3.20 to 5.20	-0-	11,450
1998-1	7/1/2001-7/1/2030	50,000	3.95 to 5.40	-0-	11,885
1998-2	7/1/2000-7/1/2029	30,000	4.00 to 5.375	-0-	5,625
1998-3	7/1/2000-7/1/2031	80,000	3.70 to 6.15	-0-	13,355
1999-1	7/1/2001-7/1/2031	41,000	3.95 to 6.25	-0-	5,850
1999-2	7/1/2001-7/1/2031	150,000	4.25 to 5.70	-0-	17,150
2000-2	7/1/2001-7/1/2031	110,000	5.00 to 7.93	-0-	16,290
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	56,585	61,045
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	17,840	21,255
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	16,145	19,855
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	24,950	29,115
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	28,420	33,865
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	19,965	23,145
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	28,265	32,615
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	32,995	38,555
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	39,750	46,495
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	51,950	60,715
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	55,070	64,665
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	63,655	72,745
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	62,830	75,235
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	66,840	79,910
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	62,950	76,240
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	70,720	83,515
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	75,135	87,615

BONDS ISSUED AND OUTSTANDING					
(Thousands)					
Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	94,160	107,360
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	114,055	131,330
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	118,230	135,560
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	47,050	53,810
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	37,405	45,040
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	68,525	82,595
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	21,185	29,390
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	46,795	49,450
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	70,085	75,000
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	115,295	-0-
Total Homeownership Program Bonds		$3,019,555		$1,506,850	$1,732,490
Plus: Unamortized Bond Premiums				15,315	21,689
Less: Deferred Amount on Refundings				(3,387)	(3,086)
Net Homeownership Program Bonds				$1,518,778	1,751,093

BONDS ISSUED AND OUTSTANDING					
(Thousands)					
Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.900 to 4.625	$97,540	$100,000
2009-B	7/1/2041	300,000	Variable	94,710	214,710
2010-A	1/1/2011-7/1/2041	74,710	0.600 to 5.0	155,435	160,000
2010-B	7/1/2011–7/1/2041	40,000	0.45 to 4.50	99,625	-0-
2011-A	7/1/2011-7/1/2041	40,000	0.45 to 4.50	100,000	-0-
Total Housing Finance Program Bonds		$554,710		$547,310	$474,710
Plus: Unamortized Bond Premiums				1,805	730
Less: Deferred Amount on Refundings				(108)	(115)
Net Housing Finance Program Bonds				$549,007	$475,325
Net Total All Issues				$2,140,486	$2,316,748

The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA may release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The interest rate on the 2009-B bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2011 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2012	$78,021	$90,083	$168,104
2013	50,000	89,091	139,091
2014	50,865	87,530	138,395
2015	51,550	85,803	137,353
2016	53,635	83,911	137,546
2017 – 2021	231,488	389,628	621,116
2022 – 2026	332,608	333,122	665,730
2027 – 2031	245,998	257,470	503,468
2032 – 2036	320,252	196,089	516,341
2037 – 2041	432,373	84,174	516,547
2042	299,770	3,743	303,513
Total	$2,146,560	$1,700,644	$3,847,204

The debt principal in the preceding table is $6,074,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the year ended June 30, 2011, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $12,260,000, in the Homeownership Program in the amount of $317,390,000 and in the Housing Finance Program in the amount of $5,780,000. The respective carrying values of the bonds were $12,214,245, $321,059,321 and $5,768,558. This resulted in an expense to the Mortgage Finance Program of $45,755 and to the Housing Finance Program of $11,442 and in income to the Homeownership Program of $3,669,321.

On October 13, 2010, the agency issued $120,700,000 in Homeownership Program Bonds, Issue 2010-1. On November 1, 2010, the agency used $99,835,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $99,835,000 early redemption). The carrying amount of these bonds was $99,371,651. The refunding resulted in a difference of $463,349 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $22,227,781 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $10,476,679.

During the year ended June 30, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $168,625,000. The respective carrying values of the bonds were $10,651,667 and

$170,939,715. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,314,715.

On June 17, 2010, the agency issued $74,710,000 in Housing Finance Program Bonds, Issue 2010-A. On June 17, 2010, the agency used $20,595,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $20,595,000 early redemption). The carrying amount of these bonds was $20,478,986. The refunding resulted in a difference of $116,014 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $5,910,703 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,812,047.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2011.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
Notes Payable	$3,672	$-0-	($422)	$3,250	$3,250
Bonds Payable	2,300,260	200,700	(371,520)	2,129,440	83,035
Plus: Unamortized Bond Premiums	22,419	1,156	(6,455)	17,120	-0-
Less: Deferred Amount on Refundings	(5,931)	(1,099)	956	(6,074)	-0-
Compensated Absences	945	66	(17)	994	477
Net OPEB Obligation	794	200	(-0-)	994	-0-
Escrow Deposits	4,978	903	(1,105)	4,776	528
Arbitrage Rebate Payable	4,547	2,552	(5,882)	1,217	-0-
Deferred Revenue	-0-	1,231	(1,231)	-0-	-0-
Total	$2,331,684	$205,709	($385,676)	$2,151,717	$87,290

The following table is a summary of the long-term liability activity for the year ended June 30, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Notes Payable	$3,250	$500	($78)	$3,672	$-0-
Bonds Payable	1,954,075	549,710	(203,525)	2,300,260	128,200
Plus: Unamortized Bond Premiums	25,377	1,263	(4,221)	22,419	-0-
Less: Deferred Amount on Refundings	(6,891)	(125)	1,085	(5,931)	-0-
Compensated Absences	1,072	117	(244)	945	494
Net OPEB Obligation	602	235	(43)	794	-0-
Escrow Deposits	4,884	4,535	(4,441)	4,978	585
Arbitrage Rebate Payable	3,146	2,043	(642)	4,547	-0-
Deferred Revenue	37	76	(113)	-0-	-0-
Total	$1,985,552	$558,354	($212,222)	$2,331,684	$129,279

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the “Trust Indenture”), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provided temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2009, after which the notes were to be available to reissue. Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency was allowed to hold its outstanding notes purchased from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2010; however, the notes matured on August 12, 2010. In accordance with the Financial Accounting Standards Board Statement 76 Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 at 3% for the Preserve Loan Program, which is part of the Housing Trust

Fund. Principal and interest are paid monthly with the principal maturing on August 4, 2012, however the note was paid off on June 17, 2011.

The activity of the promissory note is also included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at www.tn.gov/treasury/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were \$1,585,654, \$1,295,272, and \$1,201,303. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of \$750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional \$232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and \$500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2011, and June 30, 2010, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated,* Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers’ compensation are set forth in *Tennessee Code Annotated,* Section 50-6-101 et seq. Claims are paid through the state’s Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only “other postemployment benefit” (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-101. In previous fiscal years, prior to reaching the age of 65 all members had the option of choosing a preferred

provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2011, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy. The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; 25 years, $37.50; and 20 years, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2011	June 30, 2010
Annual Required Contribution (ARC)	$358	$351
Interest on the Net OPEB Obligation	36	25
Adjustment to the ARC	(34)	(24)
Annual OPEB cost	360	352
Amount of contribution	(160)	(160)
Increase in Net OPEB Obligation	200	192
Net OPEB obligation-beginning of year	794	602
Net OPEB obligation-end of year	$994	$794

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2009	State Employee Group Plan	$ 449	29%	$ 602
6/30/2010	State Employee Group Plan	$ 352	45%	$ 794
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2010, was as follows (Thousands):

Actuarial valuation date	7/01/2010
Actuarial accrued liability (AAL)	$ 3,316
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 3,316
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 8,640
UAAL as a percentage of covered payroll	38%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2010, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent for fiscal year 2011. The rate decreased to 9.5 percent for fiscal year 2012 and then reduced by decrements of .5 percent per year to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2011, the State of Tennessee made payments of $3,525 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2010, made payments of $2,657. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2011	Mortgage Finance Program	$ 3,085,000
	Homeownership Program	$46,515,000
	Housing Finance Program	$ 2,580,000
	Total	$52,180,000

b. On August 5, 2011, Standard and Poor's (S&P) downgraded its rating on U.S. long term debt from AAA to AA+. On August 8, 2011, S&P downgraded Fannie Mae, Freddie Mac and the 10 Federal Home Loan Banks (FHLBs) from an AAA rating to AA+.

c. Housing Finance Program Bonds, Issue 2011-B, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-B	7/1/2012-1/1/2028	$40,000	0.250 to 4.500
TOTAL ALL ISSUES		$40,000	

d. Housing Finance Program Bonds, Issue 2009-B, Subseries B-4, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-4	7/1/2041	$60,000	2.92
TOTAL ALL ISSUES		$60,000	

e. Housing Finance Program Bonds, Issue 2011-C, were authorized by the Board of directors on September 27, 2011, not to exceed $65,290,000.

f. Housing Finance Program Bonds, Issue 2009-B, Subseries B-5, were authorized by the Board of directors on September 27, 2011, not to exceed $34,710,000.

g. Homeownership Program Bonds, Issue 2011-1, were authorized by the Board of directors on September 27, 2011, not to exceed $150,000,000.

h. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

October 1, 2011	Mortgage Finance Program	$ 3,530,000
	Homeownership Program	$49,400,000
	Housing Finance Program	$ 4,420,000
	Total	$57,350,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	State Employee Group Plan	$ -0-	$ 3,902	$ 3,902	0%	$ 9,595	41%
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,887	$ 27,904	$ 145,552	$ 27,728	$ -	$ 203,071
Receivables:						
Accounts	3	910	21,749	1,088	-	23,750
Interest	74	1,007	9,670	2,103	-	12,854
First mortgage loans	9	5,274	36,755	7,909	-	49,947
Due from federal government	14,807	-	-	-	-	14,807
Due from other funds	2,180	1,400	-	-	-	3,580
Total current assets	18,960	36,495	213,726	38,828	-	308,009
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	4,300	675	7,708	94,819	-	107,502
Investments	-	16,799	165,177	14,952	-	196,928
Investment Interest receivable	-	152	1,966	143	-	2,261
Investments	-	16,077	18,262	4,518	-	38,857
First mortgage loans receivable	1,527	141,770	1,490,872	435,304	-	2,069,473
Deferred charges	1	354	9,621	2,351	-	12,327
Advance to local government	2,983	-	-	-	-	2,983
Capital assets:						
Furniture and equipment	517	-	-	-	-	517
Less accumulated depreciation	(360)	-	-	-	-	(360)
Total noncurrent assets	8,968	175,827	1,693,606	552,087	-	2,430,488
Total assets	27,928	212,322	1,907,332	590,915	-	2,738,497
LIABILITIES						
Current liabilities:						
Warrants / wires payable	10,913	-	-	-	-	10,913
Accounts payable	5,024	7	67	23	-	5,121
Accrued payroll and related liabilities	472	-	-	-	-	472
Compensated absences	477	-	-	-	-	477
Interest payable	-	1,887	36,096	7,093	-	45,076
Escrow deposits	-	528	-	-	-	528
Prepayments on mortgage loans	-	92	1,190	380	-	1,662
Due to other funds	471	2,052	1,057	-	-	3,580
Notes payable	3,250	-	-	-	-	3,250
Bonds payable	-	5,625	70,245	7,165	-	83,035
Total current liabilities	20,607	10,191	108,655	14,661	-	154,114
Noncurrent liabilities:						
Bonds payable	-	67,076	1,448,532	541,843	-	2,057,451
Compensated absences	517	-	-	-	-	517
Net OPEB obligation	994	-	-	-	-	994
Escrow deposits	271	3,977	-	-	-	4,248
Arbitrage rebate payable	-	-	1,217	-	-	1,217
Total noncurrent liabilities	1,782	71,053	1,449,749	541,843	-	2,064,427
Total liabilities	22,389	81,244	1,558,404	556,504	-	2,218,541
NET ASSETS						
Invested in capital assets	157	-	-	-	-	157
Restricted for single family bond programs	-	121,535	348,928	34,411	-	504,874
Restricted for grant programs	17	9,543	-	-	-	9,560
Restricted for Homebuyers Revolving Loan Prograr	3,153	-	-	-	-	3,153
Unrestricted	2,212	-	-	-	-	2,212
Total net assets	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
OPERATING REVENUES						
Mortgage interest income	$ 76	$ 7,073	$ 93,952	$ 18,305	$ -	$ 119,406
Investment income:						
Interest	(81)	1,387	9,235	501	-	11,042
Net (decrease) in the fair value of investments	-	(573)	(4,118)	(195)	-	(4,886)
Federal grant administration fees	13,916	-	-	-	-	13,916
Fees and other income	3,031	94	-	-	-	3,125
Total operating revenues	16,942	7,981	99,069	18,611	-	142,603
OPERATING EXPENSES						
Salaries and benefits	15,190	-	-	-	-	15,190
Contractual services	2,625	-	-	-	-	2,625
Materials and supplies	226	-	-	-	-	226
Rentals and insurance	97	-	-	-	-	97
Other administrative expenses	465	-	-	-	-	465
Other program expenses	1,124	4,460	6,215	81	(2)	11,878
Interest expense	111	4,226	72,065	11,899	-	88,301
Mortgage service fees	-	454	5,918	1,229	-	7,601
Issuance costs	-	38	621	71	-	730
Depreciation	93	-	-	-	-	93
Total operating expenses	19,931	9,178	84,819	13,280	(2)	127,206
Operating income (loss)	(2,989)	(1,197)	14,250	5,331	2	15,397
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	355,482	272	-	-	-	355,754
Federal grants expenses	(355,379)	(483)	-	-	-	(355,862)
Local grants expenses	(485)	(5,733)	(7,877)	-	-	(14,095)
Total nonoperating revenues (expenses)	(382)	(5,944)	(7,877)	-	-	(14,203)
Income (loss) before transfers	(3,371)	(7,141)	6,373	5,331	2	1,194
Transfers (to) other funds	-	-	(15,545)	-	(8)	(15,553)
Transfers from other funds	1,175	7,379	-	6,999	-	15,553
Change in net assets	(2,196)	238	(9,172)	12,330	(6)	1,194
Total net assets, July 1	7,735	130,840	358,100	22,081	6	518,762
Total net assets, June 30	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Cash flows from operating activities:						
Receipts from customers	$ -	$ 23,424	$ 300,712	$ 28,429	$ -	$ 352,565
Receipts from federal government	14,241	-	-	-	-	14,241
Receipts from other funds	-	1,972	1,057	-	-	3,029
Other miscellaneous receipts	3,031	94	-	-	-	3,125
Acquisition of mortgage loans	-	(9,315)	(2,150)	(219,596)	-	(231,061)
Payments to service mortgages	-	(454)	(5,918)	(1,229)	-	(7,601)
Payments to suppliers	(6,476)	(4,429)	(10,359)	(55)	2	(21,317)
Payments to federal government	-	-	(3,054)	(199)	(78)	(3,331)
Payments to other funds	(3,029)	-	-	-	-	(3,029)
Payments to employees	(15,266)	-	-	-	-	(15,266)
Net cash provided (used) by operating activities	(7,499)	11,292	280,288	(192,650)	(76)	91,355
Cash flows from non-capital financing activities:						
Operating grants received	363,125	272	-	-	-	363,397
Transfers in (out)	1,175	7,379	(15,545)	6,999	(8)	-
Negative cash balance implicitly financed (repaid)	2,616	-	-	-	-	2,616
Proceeds from sale of bonds	-	-	120,700	81,156	-	201,856
Operating grants paid	(356,343)	(6,216)	(7,877)	-	-	(370,436)
Cost of issuance paid	-	-	(989)	(918)	-	(1,907)
Principal payments	(422)	(17,780)	(346,340)	(7,400)	-	(371,942)
Interest paid	(111)	(4,481)	(79,360)	(7,001)	-	(90,953)
Net cash provided (used) by non-capital financing activities	10,040	(20,826)	(329,411)	72,836	(8)	(267,369)
Cash flows from capital and related financing activities:						
Purchases of capital assets	(172)	-	-	-	-	(172)
Net cash (used) by capital and related financing activities	(172)	-	-	-	-	(172)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	63,883	201,160	25,026	-	290,069
Purchases of investments	-	(63,317)	(218,284)	(37,295)	-	(318,896)
Investment interest received	44	1,408	9,095	453	-	11,000
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	1	16	113	-	130
Net cash provided (used) by investing activities	44	1,975	(8,013)	(11,703)	-	(17,697)
Net increase (decrease) in cash and cash equivalents	2,413	(7,559)	(57,136)	(131,517)	(84)	(193,883)
Cash and cash equivalents, July 1	3,774	36,138	210,396	254,064	84	504,456
Cash and cash equivalents, June 30	$ 6,187	$ 28,579	$ 153,260	$ 122,547	$ -	$ 310,573

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (2,989)	$ (1,197)	$ 14,250	$ 5,331	$ 2	$ 15,397
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	93	38	621	71	-	823
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	587	4,577	(448)	-	4,716
(Increase) decrease in mortgage interest receivable	(74)	179	1,480	(1,233)	-	352
(Increase) decrease in first mortgage loans receivable	(1,307)	6,507	198,892	(207,946)	-	(3,854)
Decrease in due from federal government	325	-	-	-	-	325
(Increase) decrease in deferred charges	-	46	(4,133)	11	-	(4,076)
Decrease in interfund receivables	-	1,972	1,057	-	-	3,029
(Decrease) in interfund payables	(3,029)	-	-	-	-	(3,029)
Increase (decrease) in accounts payable	(988)	(252)	(350)	170	-	(1,420)
Increase in accrued payroll / compensated absences	278	-	-	-	-	278
(Decrease) in arbitrage rebate liability	-	-	(3,054)	(199)	(78)	(3,331)
Investment income included as operating revenue	81	(814)	(5,117)	(306)	-	(6,156)
Interest expense included as operating expense	111	4,226	72,065	11,899	-	88,301
Total adjustments	(4,510)	12,489	266,038	(197,981)	(78)	75,958
Net cash provided (used) by operating activities	$ (7,499)	$ 11,292	$ 280,288	$ (192,650)	$ (76)	$ 91,355
Noncash investing, capital, and financing activities:						
(Decrease) in fair value of investments	-	(303)	(3,135)	(205)	-	(3,643)
Total noncash investing, capital, and financing activities	$ -	$ (303)	$ (3,135)	$ (205)	$ -	$ (3,643)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
JUNE 30, 2011
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,162	$ 17,660	$ 27,822	$ 82	$ 27,904
Receivables:					
Accounts	343	562	905	5	910
Interest	825	156	981	26	1,007
First mortgage loans	4,897	377	5,274	-	5,274
Due from other funds	-	1,400	1,400	-	1,400
Total current assets	16,227	20,155	36,382	113	36,495
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	675	-	675	-	675
Investments	16,799	-	16,799	-	16,799
Investment interest receivable	152	-	152	-	152
Investments	617	12,411	13,028	3,049	16,077
First mortgage loans receivable	139,269	2,501	141,770	-	141,770
Deferred charges	354	-	354	-	354
Total noncurrent assets	157,866	14,912	172,778	3,049	175,827
Total assets	174,093	35,067	209,160	3,162	212,322
LIABILITIES					
Current liabilities:					
Accounts payable	-	7	7	-	7
Interest payable	1,887	-	1,887	-	1,887
Escrow deposits	-	-	-	528	528
Prepayments on mortgage loans	89	3	92	-	92
Due to other funds	1,400	652	2,052	-	2,052
Bonds payable	5,625	-	5,625	-	5,625
Total current liabilities	9,001	662	9,663	528	10,191
Noncurrent liabilities:					
Bonds payable	67,076	-	67,076	-	67,076
Escrow deposits	-	1,538	1,538	2,439	3,977
Total noncurrent liabilities	67,076	1,538	68,614	2,439	71,053
Total liabilities	76,077	2,200	78,277	2,967	81,244
NET ASSETS					
Restricted for single family bond programs	98,016	23,324	121,340	195	121,535
Restricted for grant programs	-	9,543	9,543	-	9,543
Total net assets	$ 98,016	$ 32,867	$ 130,883	$ 195	$ 131,078

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.

** The Escrow Funds can only be used for escrow payments.

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Series Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank, Magna Bank and First Horizon Bank (recently purchased by Met Life) (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 80% of THDA's entire portfolio of mortgage loans. Magna Bank and Met Life, through a sub-servicing agreement with U.S. Bank, service the remainder. THDA itself is also permitted to service Program Loans although it has not done so to date. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the

event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The General Housing Finance Resolution, as amended (the "General Resolution"), contains various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from THDA or the Trustee.

Definitions (Section 1.2)

"Bond" means one of the bonds authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds issued pursuant to Article II.

Bond Reserve Fund" means the Bond Reserve Fund established pursuant to Section 5.1.

"Bond Reserve Fund Requirement" means, as of any date of calculation the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"Fund" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but not limited to:

- All direct or fully guaranteed United States Treasury;
- Certificates of beneficial ownership issued by the Farmers Home Administration;
- Participation certificates issued by General Services Administration;
- U.S. Maritime Administration guaranteed Title XI financing;
- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;
- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);
- Local authority bonds of the United States Department of Housing and Urban Development;

- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and
- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)
- Consolidated system-wide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)
- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)
- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);
- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC) - backed issues issued by Student Loan Marketing Association (SLMA);
- Debt obligations issued by Financing Corp. (FICO);
- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least 'A-1' by S&P and 'P-1' by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least 'AA' by S&P and 'Aa' by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least 'aam' or 'AAm-G' by S&P and 'Aaa' by Moody's;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least 'AA' by S&P and 'Aa' by Moody's or commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's;

(10) Stripped securities

(i) U.S. Treasury STRIPS

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least 'AA' by S&P and 'Aa' by Moody's; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody's.

"Issuance Amount" shall mean the price, exclusive of accrued interest (if any) which is payable on a semiannual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, THDA Costs of Issuance, or similar costs.

"Loan Fund" means the Loan Fund established in Section 5.1.

"Non-Mortgage Receipts" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Resolution, but shall not include Revenues.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"Program" means the program for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"Program Expenses" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans, payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"Program Loan Loss Coverage" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"Projected Cash Flow Statement" means a certificate of an Authorized Officer of THDA setting forth for the current and each succeeding fiscal year in which Bonds are scheduled to be outstanding, THDA's estimate of, among other things: (i) the Revenues, other than Prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds; (ii) the aggregate amount of prepayments of Program Loans which THDA reasonably expects to receive with respect to such Program Loans and which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution; (iii) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rates used in

estimating such amounts; (iv) the amount, if any, expected to be withdrawn from the Bond Reserve Fund, provided, the amount on deposit in such Fund is expected to at least equal the Bond Reserve Fund Requirement immediately after such withdrawal and the withdrawal is permitted under the General Resolution; (v) the aggregate Debt Service on Outstanding Bonds during such fiscal year; and (vi) all Program Expenses during such fiscal year.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.1.

"Revenues" means all payments, proceeds, rents, charges, and other cash income received by THDA from or on account of any Program Loan including scheduled, delinquent and advance payments of any insurance proceeds with respect to principal and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicer as compensation for services rendered in connection with the Program Loan and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

Resolution Constitutes Contract (Section 2.2)

The General Resolution constitutes a contract between THDA and the holders of the Bonds and the pledges, covenants and agreements to be performed by THDA are for the equal benefit, protection and security of the holders of any and all of the Bonds..

Obligation of Bonds (Section 2.3)

The Bonds will be special limited obligations of THDA payable only from the revenues and assets pledged therefor. These revenues and assets include the following: mortgage receipts; non-mortgage receipts, including interest earned from the investment of funds in the Escrow Fund or any other Fund or Account; and right, title, and interest in and to the Program Loans.

Provisions for Issuance of Bonds (Sections 2.4, 2.6, 7.3, and 7.15)

The General Resolution authorizes Bonds to be issued from time to time in accordance with its terms without limitation as to amount except as provided by law. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(1) a Bond Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the General Resolution;

(2) the amount of the proceeds of such Series to be deposited with the Trustee pursuant to the General Resolution (see "Application of Bond Proceeds" below):

(3) except in the case of the initial or a refunding issue, a certificate of an authorized officer stating that THDA is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution and that all other conditions for the issuance of additional Bonds have been met; and

(4) except in the case of a refunding issue, a Projected Cash Flow Statement, as described in Appendix D, showing that the estimated Revenues for each fiscal year in which Bonds will be outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to the Resolution), will be sufficient for the payment of the estimated debt service and program expenses for such fiscal year.

Provisions for Refunding Issues (Section 2.7)

Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption of all Bonds to be refunded and to give published notice as required of the redemption of such Bonds and either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or certificates of deposit secured by such obligations, which by their terms will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in the Redemption Account established under the General Resolution.

Application of Bond Proceeds (Sections 4.1 and 4.3)

As soon as practicable upon the delivery of each Series of Bonds, other than refunding Bonds, an amount necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately after such delivery is required to be deposited in the Bond Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in such Fund are to be deposited at the direction of an Authorized Officer.

Amounts in the Loan Fund may not be expended and applied for the financing of a Program Loan unless the note issued to evidence the Program Loan and a mortgage securing the Program Loan have been duly executed and, among other things:

(1) the mortgage securing such Program Loan constitutes a first lien, subject only to Permitted Encumbrances, on the real property or interest therein securing such Program Loan and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

(2) the eligible borrower has entered into a binding agreement with or for the benefit of THDA that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens levied against the premises or any part thereof, and in the case of default in the payment thereof THDA, without notice or demand to the mortgagor, may pay the same and the amount will be a lien on the premises added to the amount of the Program Loan;

(3) the eligible borrower must covenant that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of obtaining the residential housing financed by the Program Loan;

(4) the eligible borrower must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA and that it will maintain the premises in good repair and comply with all requirements of governmental authorities relating thereto; and

(5) the eligible borrower must obtain a policy of title insurance insuring THDA that the mortgage is valid and enforceable in the full amount of the Program Loan.

(6) the Program Loan must be (i) insured by the Federal Housing Administration, (ii) guaranteed by the Rural Economic Community Development Corp. (formerly Farmers Home Administration) or the Veteran’s Administration, (iii) insured or guaranteed by a successor federal or state agency, (iv) have a principal amount not exceeding 78% of the value of the property securing such Program Loan as determined in an appraisal by or acceptable to THDA, or (v) be insured to the extent of any excess over such percentage by a private mortgage insurance company acceptable to THDA and meeting the requirements of the Resolution.

Deposits and Investments (Sections 4.5, 4.6 and 4.7)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be deposited in interest-bearing time deposits, repurchase agreements or certificates of deposit or be the subject of similar banking arrangements with commercial banks, savings and loans or investment dealers and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of THDA and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement at the time of initial funding from Bond proceeds, the issuance of additional obligations and for any other purpose under the General Resolution, such obligations shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made as soon as practicable prior to each interest payment date and at any other time required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

Establishment of Funds and Accounts (Section 5.1)

The General Resolution establishes the following special trust funds and accounts which are to be held by the Trustee:

(1) Loan Fund;

(2) Revenue Fund,

Debt Service and Expense Account,
Non-Mortgage Receipts Account, and
Redemption Account;

(3) Bond Reserve Fund; and

(4) Escrow Fund.

Loan Fund (Section 5.2)

In addition to proceeds of a Series of Bonds, amounts are required to be deposited in the Loan Fund from the Revenue Fund under certain circumstances as more fully described below (see “Revenue Fund”). Amounts in the Loan Fund may be expended only to pay the cost of financing Program Loans, to pay reasonable and necessary Costs of Issuance, and to make deposits in the Debt Service and Expense Account with respect to capitalized interest. Amounts in the Loan Fund may, however, be transferred to the Revenue Fund if a Projected Cash Flow Statement is delivered to the Trustee. At the direction of THDA, the Trustee may transfer amounts in the Loan Fund to the Redemption Account or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds are subject to redemption or payment from such amounts, but only if there is delivered to the Trustee a Projected Cash Flow Statement and a certificate of an Authorized Officer stating that, in the judgment of THDA, the estimated Revenues available after the payment of estimated Debt Service on the Bonds and Program expenses are greater than they would have been if all or a portion of such amounts had been applied to the financing of Program Loans.

Revenue Fund (Section 5.3)

The General Resolution establishes the following trust accounts within the Revenue Fund: the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account.

Debt Service and Expense Account. All Revenues are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Debt Service and Expense Account within the Revenue Fund. The Trustee is required to make payments out of the Debt Service and Expense Account to the Paying Agents as follows: (a) on or before each interest payment date, the amounts required for the payment of principal installments, if any, and interest due on the Bonds on such date and (b) on or before the Redemption Date or date of

purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless such interest is otherwise provided for.

Prior to the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee may, and if so directed by THDA is required to, apply any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) as follows: (a) to the purchase of the Bonds for which such Sinking Fund Payment was established, at prices not exceeding the Redemption Price for such Bonds if they are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, or (b) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (a) hereof. Upon such purchase or redemption of any Bond, an amount equal to the principal amount of the Bond so purchased or redeemed will be credited to the Sinking Fund Payment next coming due. The excess of the amounts so credited over the amount of such Sinking Fund Payment will be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise directed by THDA.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and Maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Within ninety days after the close of each Fiscal Year, THDA is required to file with the Trustee a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amount to the Loan Fund as provided in clause (b) of this sentence) which states (a) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments made on each interest payment date as described above and (b) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Upon receipt thereof, the Trustee is required to transfer from the Debt Service and Expense Account an amount equal to the amount stated in clause (a) above as follows:

> FIRST: From the amount so available the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.
>
> SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.
>
> THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred and if such Projected Cash Flow Statement does not comply with subsection 7.11(C) the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).
>
> FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with THDA's tax covenants described below, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this provision shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph,

there shall be excluded from the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Bond Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

The Trustee may at any time, upon the written direction of an Authorized Officer (a) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund or the Redemption Account for the purposes of such Fund or Account or (b) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer is to be made, however, unless there is on deposit in the Debt Service and Expense Account and the Non-Mortgage Receipts Account after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment, plus an amount equal to the cumulative amount of prepayments received by THDA during such fiscal year which exceeds the amount of prepayments estimated to be applied to the payment of Debt Service during such fiscal year in the most recent Projected Cash Flow Statement delivered to the Trustee by THDA. In addition no such transfers shall be made until a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses is to be made unless the revenue statement to be delivered to the Trustee for each preceding month as described below shows that accrued Revenues exceed accrued Debt Service.

No payments are required to be made into the Debt Service and Expense Account so long as the amount on deposit therein is sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any purpose of THDA free and clear of the lien of the pledge of the General Resolution.

Redemption Account. There are to be deposited in the Redemption Account any amounts required by the General Resolution to be so deposited and any other amounts available therefor and determined by THDA to be deposited therein. The Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date as described under “Redemption of Bonds.”

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds to be so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless otherwise directed by THDA.

Non-Mortgage Receipts Account. All Non-Mortgage Receipts received by the Trustee are to be promptly deposited in the Non-Mortgage Receipts Account. The Trustee is required to maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund, the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund. If so directed by THDA, the Trustee must maintain such records separately for each Series of Bonds.

Semi-annually not later than each Interest Payment Date, the Trustee is required to transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of such transfers, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

Any amount remaining in the Non-Mortgage Receipts Account after the semi-annual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account or the Escrow Fund.

Bond Reserve Fund (Section 5.4)

If on any Interest Payment Date or Redemption Date, the amounts on deposit in the Revenue Fund and the Redemption Fund are less than the amount required for the payments due on the Bonds on such date, the Trustee is to apply amounts from the Bond Reserve Fund to the extent required to make good the deficiency.

If concurrently with the allocation from the Revenue Fund, the amount on deposit in the Bond Reserve Fund is in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed, transfer the amount of such excess to the Redemption Account.

Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Revenue Fund are to be transferred to the Bond Reserve Fund. Prior to such transfer, all investments held in the Revenue Fund are to be liquidated and any Bonds constituting a part of such Fund will be deemed paid and canceled.

Escrow Fund (Section 5.5)

There shall be deposited in the Escrow Fund, all amounts required by the Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein.

Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with the Resolution.

Redemption of Bonds (Sections 3.7, 5.3, 6.4 and 6.5)

Bonds may be redeemed from amounts on deposit in the Loan Fund or the Revenue Fund or from other amounts made available by THDA for such purpose. Amounts deposited in the Redemption Account within the Loan Fund must be applied to the redemption of Bonds at the earliest possible time, subject to their terms and the terms of their respective authorizing resolutions. If THDA directs the publication of a notice of redemption from amounts other than amounts in the Redemption Account, THDA is responsible to provide funds for such redemption to the appropriate Paying Agents prior to the date of redemption.

Amounts on deposit in the Revenue Account which are to be applied to the redemption of Bonds may, until the forty-fifth day prior to the date for redemption of such Bonds, be applied to the purchase of such Bonds at prices not exceeding the applicable redemption price, plus accrued interest, unless such Bonds are to be redeemed more than thirteen months from the date of purchase, in which event the purchase price may not exceed par. Any difference between the maximum price payable for such Bonds and the price actually paid is to be deposited in the Debt Service and Expense Account.

The selection of Bonds to be redeemed from the amounts to be applied to the redemption of Bonds of such particular Series and maturity is to be made by the Trustee by lot. For such purpose registered bonds of a denomination greater than $5,000 are to be assigned separate numbers for each $5,000 portion. In the event that the Trustee is required to redeem Appreciation Bonds by lot, the Trustee will assign a separate number to each Appreciation Bond on the basis of its Maturity Amount. The Trustee shall mail, postage prepaid, a copy of the notice of redemption not less than 20 days (or such shorter period as may be acceptable to the provider of a central depository system) prior to the date of redemption to the registered owners of all registered Bonds subject to redemption at the last address of such registered owners appearing on the registry books in respect of the Bonds. Publication of notice of redemption is not required if all Bonds to be redeemed are registered bonds. THDA is not obliged to exchange or transfer Bonds within ten days preceding the giving of notice of redemption and is not obliged to exchange or transfer any Bonds which have previously been called for redemption.

Power as to Bonds and Pledge (Section 7.3)

THDA covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the assets and revenues purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment of Bonds (Section 7.4)

THDA covenants that it will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Tax Covenants (Section 7.9)

THDA covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of THDA to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the applicable federal tax law and (ii) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by the applicable federal tax law by reason of the classification of such Bond as a "mortgage subsidy bond" pursuant to the applicable federal tax law or as an "industrial development bond" within the meaning of the applicable federal tax law, except in the case of Bonds held by a "substantial user" or "related person" within the meaning of Section 147(c) of the Code.

Accounts and Reports (Section 7.10)

THDA covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Housing Finance Program and all Funds established by the General Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA is required to submit to the Trustee a statement of account for the preceding month setting forth the amount received as Revenues during such month and stating the cumulative amount of Revenues (including individual totals for prepayments and monthly Program Loan receipts) and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

THDA must annually, within ninety days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of THDA for such fiscal year setting forth in reasonable detail: (a) a balance sheet for THDA and its programs showing the assets and liabilities of the Housing Finance Program at the end of such fiscal year, and (b) a statement of revenues and expenses in accordance with the categories or classifications established by THDA so long as such financial statements for the Housing Finance Program are separately identified and are consistent with the requirements of the General Resolution and satisfactory to the Trustee. The financial statements shall be accompanied by the certificate of an independent accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each annual Projected Cash Flow Statement and annual report or special report and any accountant's certificate shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Budgets (Section 7.12)

THDA must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of THDA as required under the Act. The annual budget shall at least set forth for such fiscal year the estimated revenues, principal installments and interest due and payable or estimated to become due and payable during such fiscal year and

estimated expenses of the Housing Finance Program. THDA at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

The Program (Section 7.13)

THDA covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Housing Finance Program) to finance Program Loans, to do all acts and things necessary to receive and collect Revenues sufficient to pay the expenses of the Program and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans.

Whenever necessary in order to protect and enforce the interest and security of the holders of the Bonds, THDA covenants to commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such premises.

THDA may sell, assign or otherwise dispose of a Program Loan or the premises to which such Program Loan is related:

(1) in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to provide funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Loan; or

(3) if a Projected Cash Flow Statement has been filed with the Trustee giving effect to the proposed sale thereof.

Upon the happening of an Event of Default resulting from nonpayment of the Bonds and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA is required to deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee.

Powers of Amendment (Section 9.2)

Except with respect to certain modifications or amendments that do not require consent of bondholders as described in the General Resolution, any modification or amendment of any provision of the General Resolution or of the rights and obligations of THDA and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the General Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default (Sections 10.1 and 10.10)

It is an "event of default" if: (a) THDA shall default in the payment of the principal or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or (c) THDA fails or refuses to comply with the provisions of the General Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

The Trustee must give the Bondholders notice of each event of default known to the Trustee within ninety days, unless such event of default has been remedied or cured, except that, in the case of default in the payment of the principal of or Redemption Price or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee may withhold such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice is to be given by mail: (i) to all registered holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to such holders of Bonds as have filed their names and addresses with the Trustee for that purpose, and (iii) to such other persons as is required by law.

Remedies (Sections 10.2 and 10.3)

Upon the happening and continuance of any event of default specified in clause (a) and (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to an acceleration) shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

Except upon the occurrence and during the continuance of an Event of Default under the Resolution, THDA reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder will be deemed to be an indispensable party for such purposes.

In the event that during the continuance of an event of default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the General Resolution, are to be applied as follows:

(1) Unless the principal of all of the Bonds has become or been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount

available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bond without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Bondholders' Direction of Remedial Proceedings (Section 10.5)

The holders of a majority in principal amount of the Bonds then Outstanding retain the right, upon a written instruction, to direct the method used by the Trustee in conducting all remedial proceedings, but only if such direction is in accordance with the law and the provisions of the Resolution, and is not unjustly, prejudicial, in the Trustee's opinion, to the remaining Bondholders.

Limitation on Rights of Bondholders (Section 10.6)

No individual Bondholder may initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the same.

Compensation of Trustee and Paying Agents (Section 11.5)

THDA is required to pay reasonable compensation to the Trustee and to each Paying Agent for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the General Resolution.

Removal of Trustee (Sections 11.8 and 11.9)

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an event of default, for such cause as THDA may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance (Section 12.1)

If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution,

then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, THDA has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds, (b) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge.

APPENDIX E

OTHER THDA FINANCINGS

General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,390,670,000 total original principal amount of bonds under the 1985 General Resolution as of August 31, 2011, of which $1,460,245,000 (unaudited) were outstanding as of August 31, 2011, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of August 31, 2011 (unaudited)	Original Net Interest Cost[1]
2001-1	May 1, 2001	$ 135,390,000	$ 55,705,000	5.25
2001-2	August 1, 2001	60,000,000	17,215,000	5.08
2001-3	December 1, 2001	64,580,000	15,215,000	5.21
2002-1	April 18, 2002	85,000,000	23,955,000	5.14
2002-2	July 31, 2002	85,000,000	27,360,000	5.03
2003-1	February 27, 2003	50,000,000	19,560,000	4.64
2003-2	July 31, 2003	60,000,000	27,755,000	3.90
2003-3	November 5, 2003	75,000,000	31,895,000	4.30
2004-1	March 4, 2004	80,000,000	38,345,000	4.40
2004-2	July 15, 2004	100,000,000	50,475,000	4.86
2004-3	January 13, 2005	100,000,000	53,555,000	4.41
2005-1	July 28, 2005	100,000,000	61,885,000	4.33
2005-2	November 17, 2005	100,000,000	60,565,000	4.61
2006-1	April 27, 2006	100,000,000	64,350,000	4.66
2006-2	July 27, 2006	100,000,000	60,695,000	4.85
2006-3	October 31, 2006	100,000,000	69,165,000	4.58
2007-1	March 13, 2007	100,000,000	72,760,000	4.49
2007-2	June 6, 2007	120,000,000	91,980,000	4.53
2007-3	August 7, 2007	150,000,000	110,105,000	4.77
2007-4	October 30, 2007	150,000,000	114,765,000	4.79
2008-1	May 29, 2008	60,000,000	45,900,000	4.93
2008-2	August 7, 2008	50,000,000	35,945,000	5.28
2008-3	September 30, 2008	90,000,000	66,040,000	5.00
2008-4	December 18, 2008	30,000,000	18,160,000	5.56
2009-1	June 11, 2009	50,000,000	46,270,000	4.39
2009-2	September 30, 2009	75,000,000	69,135,000	4.06
2010-1	October 13, 2010	120,700,000	111,490,000	3.57
TOTAL		$2,390,670,000	$1,460,245,000	

(1) Bond yield.

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Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $191,885,000 under the 1974 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	**Dated**	**Issued**	**Outstanding as of August 31, 2011 (unaudited)**	**Mortgage Rates**	**Net Interest Cost**
2003 Series A	September 4, 2003	$191,885,000	$72,195,000	7.05/7.75	4.90
TOTAL		$191,885,000	$72,195,000		

Single Family Program Bond Resolution (the "1981 Resolution")

On February 2, 1994, THDA issued and sold Homeownership Program Bonds, Issue 1994-1 (Taxable) in the aggregate principal amount of $33,500,000 (the "Issue 1994-1 Bonds") the proceeds of which were used to redeem all bonds then outstanding under the 1981 Resolution. All assets under the 1981 Resolution, including mortgages financed with the proceeds of bonds issued under the 1981 Resolution and remaining cash and investments held for the benefit of bondholders under the 1981 Resolution, were transferred out of the 1981 Resolution at the time of the issuance and sale of the Issue 1994-1 Bonds.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the Resolution, the 1985 General Resolution, the 1981 Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the Resolution, the 1985 General Resolution, the 1981 Resolution, the 1974 General Resolution, any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX G

PROGRAM LOAN PROCEDURES

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted. THDA's current income limits range from $54,480 to $92,680 depending on household size and geographic location. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. THDA's current maximum acquisition cost limit is $200,160 for all counties except counties in the Nashville MSA. For counties in the Nashville MSA, the maximum acquisition cost limit is $226,100. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, not to exceed 1% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and savings and loan associations. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions located in Tennessee or in the eight contiguous states to service Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms, commercial banks or savings and loan associations. THDA may also service Program Loans although it has elected only to service multi-family loans made under the 1974 General Resolution to date. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval.

THDA requires monthly reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data.

THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Mortgage Administration and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

November 3, 2011

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Housing Finance Program Bonds

$65,290,000 Issue 2011-C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $65,290,000 in aggregate principal amount of Housing Finance Program Bonds, Issue 2011-C (Non-AMT) (the "Issue 2011-C Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2011-C Bonds were authorized to be issued pursuant to the Act, the General Housing Finance Resolution of THDA, adopted November 19, 2009, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on September 27, 2011, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on October 5, 2011 (together, the "Supplemental Resolution" and, together with the General Resolution, the "Resolution").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2011-C Bonds (collectively, the "Housing Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2011-C Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2011-C Bonds are being issued to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2011-C Bonds in order that interest on the Issue 2011-C Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2011-C Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2011-C Bonds are valid and legally binding special obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Housing Finance Program Bonds, including the Issue 2011-C Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2011-C Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2011-C Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing laws as presently enacted and construed and assuming compliance with the covenants concerning federal tax law described above, (i) interest on the Issue 2011-C Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) interest on the Issue 2011-C Bonds will not be treated as a preference item to be included in calculating the federal alternative minimum tax imposed on individuals and corporations and will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2011-C Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2011-C Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2011-C Bonds may have to take interest on such Issue 2011-C Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2011-C Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2011-C Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2011-C Bonds.

Very truly yours,

APPENDIX I

November 3, 2011

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Housing Finance Program Bonds

$34,710,000 Issue 2009-B, Subseries B-5

Ladies and Gentlemen:

We have examined a record of proceedings related to the deemed reissuance of a portion of the $34,710,000 in aggregate principal amount of Housing Finance Program Bonds, Issue 2009-B (Taxable) (the "Issue 2009-B Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2009-B Bonds were authorized to be issued pursuant to the Act, the General Housing Finance Resolution of THDA, adopted November 19, 2009, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on November 19, 2009, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on December 23, 2009 (together, the "2009 Supplemental Resolution").

Proceeds of the Issue 2009-B Bonds have been deposited in the Issue 2009-B Escrow Subaccount of the Loan Fund and are subject to release therefrom upon satisfaction of the conditions for such release set forth in the 2009 Supplemental Resolution. Pursuant to the General Resolution, the 2009 Supplemental Resolution and a Resolution adopted by THDA on September 27, 2011, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on October 5, 2011 (together, the "2011 Supplemental Resolution," and, together with the General Resolution and the 2009 Supplemental Resolution, the "Resolution"), THDA has elected to release $60,000,000 of proceeds of the Issue 2009-B Bonds from the Issue 2009-B Escrow Subaccount of the Loan Fund. Upon such release and in accordance with the Resolution, a corresponding amount of the Issue 2009-B Bonds will be redesignated as the Housing Finance Program Bonds, Issue 2009-B, Subseries B-5 (Non-AMT) (the "Subseries B-5 Bonds").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Subseries B-5 Bonds (collectively, the "Housing Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Subseries B-5 Bonds mature in the year, bear interest at the rates and are otherwise as described in the 2009 Supplemental Resolution and the 2010 Supplemental Resolution. Proceeds of the Issue 2009-B Bonds are being released to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Subseries B-5 Bonds in order that interest on the Subseries B-5 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the reissuance and redesignation of the Subseries B-5 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Subseries B-5 Bonds are valid and legally binding special obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Housing Finance Program Bonds, including the Subseries B-5 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with funds allocable to the Subseries B-5 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Subseries B-5 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing laws as presently enacted and construed and assuming compliance with the covenants concerning federal tax law described above, interest on the Subseries B-5 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) will not be treated as a preference item to be included in calculating the federal alternative minimum tax imposed on individuals and corporations and (iii) will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Subseries B-5 Bonds is exempt from the income tax imposed by the State on interest income; however, the Subseries B-5 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Subseries B-5 Bonds may have to take interest on such Subseries B-5 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Subseries B-5 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Subseries B-5 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Subseries B-5 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES*

Delinquencies and Foreclosures as of June 30, 2011

As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.38%, based on a total of 4,490 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	58	$5,788,908	1.39%	2.05%[4]
VA Guaranteed	0	0	0.00	1.29
Privately Insured	0	0	0.00	0.79
USDA/RD Guaranteed	4	249,340	2.23	(5)
Uninsured	0	0	0.00	(5)
TOTAL	62	$6,038,248[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

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*Delinquency and foreclosure information as of August 31, 2011, can be found in this Official Statement under **"HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data** – *Delinquencies and Foreclosures as of August 31, 2011"*.

As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 1.74%, based on a total of 4,490 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	72	$6,008,518	1.72%	4.70%(4)
VA Guaranteed	2	124,784	3.64	2.45
Privately Insured	1	55,914	6.25	1.49
USDA/RD Guaranteed	3	140,657	1.68	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	78	$6,329,874(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of June 30, 2011 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.80%, based on a total of 4,490 Program Loans as of June 30, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2011, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	36	$3,581,583	0.86%	2.40%(4)
VA Guaranteed	0	0	0.00	1.85
Privately Insured	0	0	0.00	1.65
USDA/RD Guaranteed	0	0	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	36	$3,581,583(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2011

As of March 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) held under the General Resolution that were sixty (60) to eighty-nine (89) days past due was 0.90%, based on a total of 3,994 Program Loans as of March 31, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011 are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[2]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	34	$2,966,725	0.92%	1.86%[4]
VA Guaranteed	0	0	0.00	1.09
Privately Insured	0	0	0.00	0.70
USDA/RD Guaranteed	2	96,262	1.23	(5)
Uninsured	0	0	0.00	(5)
TOTAL	36	$3,062,987[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of March 31, 2011 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) held under the General Resolution that were ninety (90) days past due was 1.65%, based on a total of 3,994 Program Loans as of March 31, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[2]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	60	$4,910,822	1.62%	4.71%[4]
VA Guaranteed	1	40,660	1.89	2.39
Privately Insured	1	56,351	5.56	1.50
USDA/RD Guaranteed	4	246,133	2.47	(5)
Uninsured	0	0	0.00	(5)
TOTAL	66	$5,253,966[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of March 31, 2011 (unaudited), the overall rate of Program Loans (including Transferred Loans) held under the General Resolution in foreclosure was 0.70%, based on a total of 3,994 Program Loans as of March 31, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2011, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	27	$2,365,045	0.73%	2.45%[4]
VA Guaranteed	1	63,493	1.89	1.96
Privately Insured	0	0	0.00	1.69
USDA/RD Guaranteed	0	0	0.00	[5]
Uninsured	0	0	0.00	[5]
TOTAL	28	$2,428,538[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2010

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.81%, based on a total of 3,541 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	57	$5,029,428	1.74%	2.50%[4]
VA Guaranteed	2	141,261	4.17	1.49
Privately Insured	1	56,861	5.00	0.91
USDA/RD Guaranteed	4	229,649	2.96	[5]
Uninsured	0	0	0.00	[5]
TOTAL	64	$5,457,200[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of December 31, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 2.15%, based on a total of 3,541 Program Loans as of December 31, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	68	$5,653,554	2.07%	5.21%(4)
VA Guaranteed	2	104,153	4.17	2.83
Privately Insured	2	96,746	10.00	1.77
USDA/RD Guaranteed	3	211,525	1.82	(5)
Uninsured	1	76,392	2.22	(5)
TOTAL	76	$6,142,369(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of December 31, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.57%, based on a total of 3,541 Program Loans as of December 31, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2010, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2010

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	19	$1,660,210	0.58%	2.24%(4)
VA Guaranteed	0	0	0.00	1.88
Privately Insured	0	0	0.00	1.65
USDA/RD Guaranteed	1	47,831	0.74	(5)
Uninsured	0	0	0.00	(5)
TOTAL	20	$1,708,041(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2010

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were sixty (60) to eighty-nine (89) days past due was 1.38%, based on a total of 3,109 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	39	$3,399,746	1.36%	2.48%[4]
VA Guaranteed	0	0	0.00	1.54
Privately Insured	1	64,629	5.00	0.98
USDA/RD Guaranteed	1	43,704	0.78	(5)
Uninsured	2	112,386	3.85	(5)
TOTAL	43	$3,620,465[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall delinquency rate for Program Loans (including Transferred Loans) that were ninety (90) days past due was 1.61%, based on a total of 3,109 Program Loans as of September 30, 2010.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2010 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2010, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	44	$3,216,671	1.54%	5.07%[4]
VA Guaranteed	0	0	0.00	3.06
Privately Insured	2	97,405	10.00	1.97
USDA/RD Guaranteed	4	223,584	3.13	(5)
Uninsured	0	0	0.00	(5)
TOTAL	50	$3,537,659[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of September 30, 2010 (unaudited), the overall rate of Program Loans (including Transferred Loans) in foreclosure was 0.23%, based on a total of 3,109 Program Loans as of September 30, 2010.

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2010 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2010, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2010

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	6	$432,994	0.21%	1.91%[4]
VA Guaranteed	1	40,660	2.27	1.47
Privately Insured	0	0	0.00	1.33
USDA/RD Guaranteed	0	0	0.00	[5]
Uninsured	0	0	0.00	[5]
TOTAL	7	$473,653[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2010.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Tennessee Housing Development Agency

Leading Tennessee Home

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2012-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2012-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (ii) interest on the Issue 2012-1B Bonds and the Issue 2012-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2012-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), and (iv) interest on the Issue 2012-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2012-1 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2012-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Homeownership Program Bonds
$27,285,000 Issue 2012-1A (AMT)
$15,825,000 Issue 2012-1B (Non-AMT)
$90,000,000 Issue 2012-1C (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2012-1A Bonds (the "Issue 2012-1A Bonds"), the Issue 2012-1B Bonds (the "Issue 2012-1B Bonds") and the Issue 2012-1C Bonds (the "Issue 2012-1C Bonds" and, together with the Issue 2012-1A Bonds and the Issue 2012-1B Bonds, the "Issue 2012-1 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F - "Book-Entry-Only System." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on January 1, 2013, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption at par prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are general obligations of the Tennessee Housing Development Agency ("THDA") payable from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds and other funds of THDA legally available therefor.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about July 19, 2012.

CITIGROUP

RAYMOND JAMES | MORGAN KEEGAN **RBC CAPITAL MARKETS**

J.P. MORGAN **WELLS FARGO SECURITIES**

FTN FINANCIAL CAPITAL MARKETS

June 27, 2012

† Interest on the Issue 2012-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOMEOWNERSHIP PROGRAM BONDS
Maturities, Amounts, Interest Rates and Prices

$27,285,000 Issue 2012-1A (AMT)

$16,920,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number(1)	Principal Amount Due July 1	Interest Rate	CUSIP Number(1)
2013	$1,220,000	0.80%	88045RXD9	$1,705,000	0.85%	88045RXJ6
2014	1,710,000	1.05	88045RXE7	1,720,000	1.10	88045RXK3
2015	1,730,000	1.30	88045RXF4	1,740,000	1.35	88045RXL1
2016	1,750,000	1.50	88045RXG2	1,765,000	1.55	88045RXM9
2017	1,780,000	1.90	88045RXH0	1,800,000	1.95	88045RXN7

$10,365,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number(1)
January 1, 2038 (PAC)	$10,365,000	4.50%	88045RXP2

$15,825,000 Issue 2012-1B (Non-AMT)

$15,825,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number(1)	Principal Amount Due July 1	Interest Rate	CUSIP Number(1)
2018	$1,895,000	1.90%	88045RXQ0	$1,915,000	1.95%	88045RXU1
2019	1,940,000	2.15	88045RXR8	1,965,000	2.20	88045RXV9
2020	1,980,000	2.45	88045RXS6	2,020,000	2.45	88045RXW7
2021	2,040,000	2.65	88045RXT4	2,070,000	2.65	88045RXX5

$90,000,000 Issue 2012-1C (Non-AMT)†

$8,575,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number(1)	Principal Amount Due July 1	Interest Rate	CUSIP Number(1)
2022	$2,100,000	2.80%	88045RXY3	2,130,000	2.80%	88045RYA4
2023	2,155,000	3.00	88045RXZ0	2,190,000	3.00	88045RYB2

$81,425,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number(1)
July 1, 2027	$18,920,000	3.50%	88045RYC0
July 1, 2029	10,560,000	3.65	88045RYD8
July 1, 2037 (PAC)	28,980,000	4.50	88045RYE6
July 1, 2042	22,965,000	4.20	88045RYF3

PRICE OF ISSUE 2012-1A BONDS DUE JANUARY 1, 2038 (PAC): 107.274%

PRICE OF ISSUE 2012-1C BONDS DUE JULY 1, 2037 (PAC): 109.689%

PRICE OF ALL REMAINING ISSUE 2012-1 BONDS: 100.000%

(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

†Interest on the Issue 2012-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Caine Mitter & Associates Incorporated
Financial Advisor

OFFICIAL STATEMENT

TENNESSEE HOUSING DEVELOPMENT AGENCY

Homeownership Program Bonds
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$15,825,000 Issue 2012-1B (Non-AMT)
$90,000,000 Issue 2012-1C (Non-AMT)†

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Homeownership Program Bonds, Issue 2012-1A in the aggregate principal amount of $27,285,000 (the "Issue 2012-1A Bonds"), the Issue 2012-1B in the aggregate principal amount of $15,825,000 (the "Issue 2012-1B Bonds") and the Issue 2012-1C in the aggregate principal amount of $90,000,000 (the "Issue 2012-1C Bonds" and, together with the Issue 2012-1A Bonds and the Issue 2012-1B Bonds, the "Issue 2012-1 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Homeownership Program Bond Resolution, adopted by THDA on June 6, 1985, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on March 27, 2012, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on June 27, 2012 (the "Issue 2012-1 Supplemental Resolution"). The General Resolution and the Issue 2012-1 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2012-1 Bonds on March 26, 2012. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of May 31, 2012 (unaudited), Bonds in the aggregate principal amount of $1,312,985,000 were outstanding under the Resolution, bonds in the aggregate principal amount of $61,400,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution") and bonds in the aggregate principal amount of $631,910,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution").

On June 6, 2012, the State Funding Board approved the THDA Schedule of Financing for fiscal year 2013. The Schedule of Financing includes the issuance of bonds in 2013 to refund all outstanding bonds issued under the 1974 General Resolution. Bonds issued to refund the bonds outstanding under the 1974 General Resolution could be issued under the General Resolution, the 2009 General Resolution, the 1974 General Resolution or a new general resolution yet to be adopted. Approval of the Schedule of Financing by the State Funding Board is required by Tennessee law. THDA is not required, however, to carry out financings strictly in accordance with the Schedule of Financing. While THDA has approved the Schedule of Financing for purposes of submission to the State Funding Board, no further action has been taken by the THDA Board of Directors with respect to such refunding. No assurance can be provided with respect to the actual refunding of the bonds issued under the 1974 General Resolution, the timing thereof, or the means by which such bonds are refunded.

Bonds issued under the Resolution, including the Offered Bonds, are and will be general obligations of THDA, payable from (i) the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Debt Service Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS" and (ii) other funds of THDA legally available therefor. All bonds issued under the Resolution, including the

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† Interest on the Issue 2012-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

The revenues and assets of THDA pledged under the Resolution are not pledged as security for bonds issued under the 1974 General Resolution or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution and the 2009 General Resolution, respectively, are not pledged as security for the Offered Bonds. See Appendix E for a description of the 1974 General Resolution and the 2009 General Resolution.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of May 31, 2012 (unaudited), 17,447 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $1,336,471,953. Based on the outstanding principal balance of Program Loans as of May 31, 2012, approximately 63.47% were FHA insured, approximately 2.94% were VA guaranteed, approximately 19.29% were insured by private mortgage insurance companies, approximately 10.73% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 3.62% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

THDA expects to use the proceeds from the issuance of the Issue 2012-1A Bonds and the Issue 2012-1B Bonds to refund its Issue 2003-1 Bonds and Issue 2003-3 Bonds issued and outstanding under the General Resolution (the "Prior Bonds"). As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $46,095,000 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "HOMEOWNERSHIP PROGRAM LOANS—Description of the Transferred Program Loans" for information about the Transferred Program Loans. In addition, Revenue Fund investments allocable to the Prior Bonds in the projected amount of approximately $1,175,000 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on September 1, 2012, at a redemption price of 100% plus accrued interest. No assurance can be provided that each such issue will actually be refunded.

THDA expects that the proceeds of the Issue 2012-1C Bonds, and a contribution from THDA, will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Debt Service Reserve Fund, if required. See "APPLICATION OF BOND PROCEEDS." The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "PROGRAM LOANS – Description of Program Loans" and in Appendix G.

As used herein, the term "Program Loans" refers to all mortgage loans financed under the General Resolution, including the Transferred Program Loans and mortgage loans to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (or participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, the Resolution and certain provisions of the Act and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee.

Certain capitalized terms utilized herein are defined in Appendix D hereto. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "Book-Entry Only System" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2012-1 Bonds and is payable on January 1, 2013, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2012-1A Bonds maturing on January 1, 2038, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2030, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-1A
PAC Term Bonds Due January 1, 2038

Year	Amount Due January 1	Amount Due July 1
2030	$730,000	$745,000
2031	760,000	775,000
2032	795,000	810,000
2033	830,000	850,000
2034	465,000	475,000
2035	485,000	495,000
2036	510,000	520,000
2037	530,000	545,000
2038	45,000 (maturity)	

The Issue 2012-1C Bonds maturing on July 1, 2027, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2024, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-1C
Term Bonds Due July 1, 2027

Year	Amount Due January 1	Amount Due July 1	
2024	$2,220,000	$2,260,000	
2025	2,305,000	2,340,000	
2026	2,380,000	2,425,000	
2027	2,475,000	2,515,000	(maturity)

The Issue 2012-1C Bonds maturing on July 1, 2029, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2028, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-1C
Term Bonds Due July 1, 2029

Year	Amount Due January 1	Amount Due July 1	
2028	$2,570,000	$2,610,000	
2029	2,660,000	2,720,000	(maturity)

The Issue 2012-1C Bonds maturing on July 1, 2037, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2030, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-1C
PAC Term Bonds Due July 1, 2037

Year	Amount Due January 1	Amount Due July 1	
2030	$2,045,000	$2,085,000	
2031	2,125,000	2,170,000	
2032	2,215,000	2,270,000	
2033	2,320,000	2,370,000	
2034	1,300,000	1,330,000	
2035	1,365,000	1,390,000	
2036	1,420,000	1,450,000	
2037	1,485,000	1,640,000	(maturity)

The Issue 2012-1C Bonds maturing on July 1, 2042, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2038, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-1C
Term Bonds Due July 1, 2042

Year	Amount Due January 1	Amount Due July 1	
2038	$1,940,000	2,150,000	
2039	2,190,000	2,245,000	
2040	2,290,000	2,335,000	
2041	2,380,000	2,425,000	
2042	2,480,000	2,530,000	(maturity)

Optional Redemption. The Issue 2012-1 Bonds maturing on and after July 1, 2022, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2022, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of PAC Bonds. The Issue 2012-1A PAC Bonds and Issue 2012-1C PAC Bonds (collectively, the “PAC Bonds”) are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2012-1 Principal Payments (as defined below). Any Excess 2012-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing January 1, 2013; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2012-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under “ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds”), as determined by THDA, then available Excess 2012-1 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds and, subject to the application of the 10-year rule as described below under the heading “--*Mandatory Redemption – 10 Year Rule*,” the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2012-1 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds shall first be applied to redeem PAC Bonds on a pro rata basis and, subject to the application of the 10-year rule as described below under the heading “--*Mandatory Redemption – 10 Year Rule*,” the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2012-1 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bonds’ proportionate amount of all Issue 2012-1 Bonds then Outstanding and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

“Excess 2012-1 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

“Planned Amortization Amount” means the dollar amount for each Interest Payment Date set forth below. Each Planned Amortization Amount represents the cumulative principal amount of Issue 2012-1A PAC Bonds and Issue 2012-1C PAC Bonds, respectively, assumed to be redeemed from Excess 2012-1 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 75% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See “ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds” for a description of PSA prepayment rates.

The Planned Amortization Amounts for the Issue 2012-1A PAC Bonds and Issue 2012-1C PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $46,095,000 with an approximate weighted average maturity of

248 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 75% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedules

Date	Issue 2012-1A PAC Bonds Planned Amortization Amount	Issue 2012-1C PAC Bonds Planned Amortization Amount
January 1, 2013	$ 290,000	$ 815,000
July 1, 2013	665,000	1,870,000
January 1, 2014	1,135,000	3,180,000
July 1, 2014	1,690,000	4,740,000
January 1, 2015	2,330,000	6,530,000
July 1, 2015	3,025,000	8,475,000
January 1, 2016	3,705,000	10,385,000
July 1, 2016	4,365,000	12,225,000
January 1, 2017	5,000,000	14,005,000
July 1, 2017	5,615,000	15,720,000
January 1, 2018	6,205,000	17,375,000
July 1, 2018	6,775,000	18,970,000
January 1, 2019	7,325,000	20,505,000
July 1, 2019	7,855,000	21,985,000
January 1, 2020	8,365,000	23,410,000
July 1, 2020	8,855,000	24,780,000
January 1, 2021	9,325,000	26,100,000
July 1, 2021	9,775,000	27,365,000
January 1, 2022	10,210,000	28,580,000
July 1, 2022	10,365,000	28,980,000

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see “ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds.”

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans; (ii) except as otherwise described under the headings “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds”, and “-Mandatory Redemption – 10 Year Rule”, repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Code, and (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds” and (b) shall not be subject to redemption as described in clauses (iii) and (iv) above if such redemption would cause amortization of the PAC Bonds to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedules. If PAC Bonds are redeemed from amounts described in clauses (i), (iii) and (iv) above, the PAC Bonds shall be redeemed on a pro rata basis. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading “The Program”), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) above shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The

Offered Bonds to be so redeemed shall be redeemed pro rata among all maturities then Outstanding and eligible for redemption, unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Offered Bonds to be so redeemed; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) above. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS - THDA Redemption Practices".

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," THDA shall direct the redemption of the Offered Bonds pro rata among all maturities then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Offered Bonds to be redeemed; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the related Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedules only if there are no other Offered Bonds outstanding and if the PAC Bonds are to be redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
July 19, 2012	13.9%
January 2, 2013	14.0
February 27, 2013	20.2
July 1, 2013	22.4
November 5, 2013	32.4
July 19, 2022	100.0

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on January 1, 2016, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2012-1 Bonds Subaccount of the Loan Fund on such date. Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. THDA shall direct the redemption of the Offered Bonds pro rata among all maturities of such Offered Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Offered Bonds to be so redeemed; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding.

Selection By Lot

If less than all of the Issue 2012-1 Bonds of like series and maturity are to be redeemed, the particular Issue 2012-1 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds, and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds, which notice shall specify the series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. In the event that the Trustee does not, at the time notice of any redemption is required to be given under the Resolution, hold on deposit in the Redemption Fund an amount sufficient to pay the Redemption Price of, plus interest accrued and unpaid to the redemption, such notice shall further state that the redemption is conditional upon sufficient funds being so deposited or transferred by or at the direction of THDA to the Redemption Fund and that, in the event such funds are not so deposited or transferred, the redemption shall be canceled, or reduced to the extent of funds actually on deposit, and written notice of such cancellation or reduction shall be given to the holders of Bonds which are not to be redeemed within ten (10) days following the proposed redemption date in the same manner as provided for notice of the redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than twenty (20) days (or such shorter period as may be acceptable to DTC) before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry-Only System" for a discussion of DTC practices.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2012-1 Bonds, together with a contribution from THDA, will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 133,110,000.00
Premium on Issue 2012-1A PAC Bond	753,950.10
Premium on Issue 2012-1C PAC Bond	2,807,872.20
Transferred Program Loans	46,094,638.25
Transferred Investments	1,177,022.50
THDA Contribution	1,049.90
TOTAL SOURCES	$ 183,944,532.95
USES	
Deposit to Loan Fund(1)	$ 137,787,256.83
Redemption of Prior Bonds	43,865,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	1,177,022.50
Costs of Issuance	216,900.00
Underwriters' Fee	898,353.62
TOTAL USES	$ 183,944,532.95

(1) Includes $91,692,618.58 in proceeds from Issue 2012-1C plus approximately $46,094,638.25 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are general obligations of THDA payable from the revenues and assets of THDA pledged under the Resolution and other funds of THDA legally available therefor. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution, including the Escrow Fund;

(c) All Funds and Accounts created by the Resolution, including the Debt Service Reserve Fund, and monies and securities therein, and amounts required by the Resolution to be deposited in the Escrow Fund (see Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION");

(d) Any monies paid by the State and deposited in the Debt Service Reserve Fund pursuant to the Act and the Resolution;

(e) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution; and

(f) Any other funds of THDA legally available therefor.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

Debt Service Reserve Fund

The Act authorizes THDA to establish one or more reserve funds to be known as debt service reserve funds. In accordance with the Act and the Resolution, THDA has established a Debt Service Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Debt Service Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest required to be made and becoming due on all Bonds then outstanding for the then current or any succeeding State fiscal year (July 1 to June 30) or any succeeding calendar year, whichever is greater (the "Debt Service Reserve Fund Requirement"). On the date of issuance of the Offered Bonds, the Debt Service Reserve Fund will contain an amount at least equal to the Debt Service Reserve Fund Requirement. The Resolution requires that if, at any time, there is not a sufficient amount available in the Debt Service and Expense Account to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Debt Service Reserve Fund to the Debt Service and Expense Account.

The Act establishes a mechanism for certifying an amount, if any, needed to restore the Debt Service Reserve Fund to an amount equal to the maximum amount of principal, or sinking fund payments, and interest, maturing, required to be made and becoming due in any succeeding state fiscal year on THDA's bonds. These provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts. Under the Constitution of the State, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. With respect to any sum so certified by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration in accordance with the Act, the General Assembly is authorized to appropriate, to expend and to provide for the payment of such sum, but is not legally required to do so. THDA has covenanted in the

Resolution to comply with the provisions of the Act relating to the requisite certification by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration concerning the Debt Service Reserve Fund and has also covenanted to make and deliver such certification annually on or before November 1 and to deposit all monies received pursuant to any such certification into the Debt Service Reserve Fund. THDA has never requested the State to appropriate monies for the Debt Service Reserve Fund or for any other debt service reserve fund established pursuant to the Act or any other bond resolution of THDA.

Additional Bonds

THDA is authorized to issue additional series of Bonds upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the Offered Bonds and other outstanding Bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements upon the issuance or remarketing of Bonds, including the Offered Bonds, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Offered Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $46,095,000, with a weighted average maturity of approximately 248 months and a weighted average interest rate of approximately 5.53%, will be allocated to the Offered Bonds upon the refunding of the Prior Bonds and (ii) THDA originates approximately $90,000,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.508%; approximately 5.0% of which are participations funded with proceeds of the Issue 2012-1 Bonds for which none of the interest is allocable to the Offered Bonds. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2012-1 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "PROGRAM LOANS – Description of Program Loans" – Homeownership Choices" and Appendix G – "PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2012-1C Bonds, will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 4.508%; approximately $4,500,000 of which are participations for which none of the interest is allocable to the Offered Bonds and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans when bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds, however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2012-1C Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption under the General Resolution was Issue 1996-3 as shown on the chart under the heading "HOMEOWNERSHIP PROGRAM BONDS – Origination Experience" herein. THDA has not redeemed any bonds from unexpended proceeds under the 2009 General Resolution or the 1974 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from the Issue 2012-1C Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds in April 2012. As of June 18, 2012, THDA has committed a total principal amount of $32,534,694. Of that amount, $12,122,644 of Program Loans have been purchased by THDA using its own funds as of June 18, 2012. Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

On July 7, 2011, the U.S. Department of Housing and Urban Development announced changes to Federal Housing Administration and Making Home Affordable Program requirements that direct servicers to extend the period of time during which eligible borrowers may skip part or all of their monthly payments from three or four months to twelve months whenever possible. These requirements became effective on August 1, 2011, with a subsequent sixty day implementation period. At present, THDA cannot predict what effect, if any, these requirements would have on the Program Loan portfolio, which, together with other revenues and assets available under the Resolution, is the source of payment and security for the Offered Bonds.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $236 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $25,000 for up to 18 months in 29 targeted counties and up to $20,000 for up to 12 months in 66 counties. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of May 31, 2012, 1,545 loans made under the HHF Program have closed. Thirty-three of these HHF Program loans have been made with respect to Program Loans previously financed under the Resolution. None of the HHF Program loans are pledged as security for the Bonds.

The Tennessee Attorney General and Reporter participated in the lawsuit brought by 49 states attorneys general against the five largest mortgage loan servicers in the United States. This lawsuit resulted in a settlement under which the affected servicers must, among other things, pay states attorneys general certain sums (the "AG Settlement"). The Tennessee Attorney General and Reporter is making $34,500,000 of the AG Settlement amount coming to Tennessee available to THDA for a program to assist borrowers who are at risk of foreclosure due to unexpected medical events. THDA has approved a program that will involve all HHF Program requirements, however, medical hardship rather than unemployment or under employment will be an eligibility requirement. THDA expects to begin this program as of July 1, 2012.

In addition to federal governmental actions designed to address economic difficulties, both the federal government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. On February 1, 2012, for example, USDA/RD announced its Single Family Housing Guaranteed Rural Refinance Pilot Program. The pilot program is intended to assist existing borrowers in refinancing USDA/RD guaranteed mortgage loans with greater speed and ease. Borrowers will be able to secure lower interest rates and payments without the need of obtaining a new appraisal or new property inspections. Additionally, on March 6, 2012, the Obama Administration announced a new streamlined refinancing plan under which FHA, effective June 11, 2012, will reduce its upfront and annual mortgage insurance premiums for refinancings of FHA insured mortgage loans originated before June 1, 2009. THDA has not yet determined whether or how these programs may affect the THDA Program Loan portfolio.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the Resolution, the resolutions adopted in connection with other issues of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "– Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution and the resolutions adopted in connection with other issues of Bonds under the General Resolution specify when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and Issues to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other issues of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Debt Service Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Program Expenses. THDA expects to pay Costs of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure costs, and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. To the extent funds are available therefor, THDA currently expects to continue to pay other Program Expenses and other operating and administrative costs and expenses of THDA from the Housing Program Fund, a fund of THDA created in 1988 that is not subject to the lien of the Resolution. To the extent funds are not available from the Housing Program Fund, THDA expects to pay Program Expenses from the Debt Service and Expense Account of the Revenue Fund under the Resolution and other operating and administrative costs and expenses that are not Program Expenses from other resources of THDA. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds" and for more information about the Housing Program Fund, see Appendix E – "OTHER FINANCINGS, THDA FUNDS AND THDA ACTIVITIES – THDA Funds".

While THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses, the Act establishes a mechanism for certifying an amount, if any, estimated to be required for payment of expenses of THDA for the next ensuing State fiscal year. The amount so certified is the amount by which anticipated operating expenses of THDA, including Program Expenses, will exceed available THDA operating revenues. The Act further provides that to assure the continued operation and solvency of THDA for the fulfillment of the purposes of the Act, there shall be apportioned and paid to THDA, after audit by appropriate State officials, not more than the amount so stated. These provisions of the Act do not constitute a legally enforceable obligation of the State to pay such amounts. Under the Constitution of the State of Tennessee, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. The General Assembly is authorized to appropriate, to expend and to provide for the payment of the amount so certified, but is not legally required to do so.

THDA has covenanted in the Resolution to comply with this provision of the Act relating to the certification of the amounts required for the payment of operating and administrative costs and expenses, to the extent such operating and administrative costs and expenses exceed available THDA operating revenues. THDA has never requested the State to appropriate monies to cover operating or administrative costs or expenses, including Program Expenses, of THDA.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Debt Service Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0.00% per annum until June 30, 2021, and, 0.75% per annum thereafter; and (iii) funds on deposit in the Issue 2012-1 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0.00% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. "150% PSA" assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "200% PSA" assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. "300% PSA" assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "400% PSA" assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "500% PSA" assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under "Changes in Federal or State Law" above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading "DESCRIPTION OF THE OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds", and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2012-1 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $46,905,000 of Transferred Program Loans with an approximate weighted average maturity of approximately 248 months and an approximate weighted average interest rate of 5.53% will be allocated to the Offered Bonds, (iii) Excess 2012-1 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the related Planned Amortization Amounts as described under the heading "DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS" herein.

Projected Weighted Average Lives For PAC Bonds

PSA Speed	Issue 2012-1A PAC Bond Average Life (in years)	Issue 2012-1C PAC Bond Average Life (in years)
0%	20.8	20.8
25	13.3	13.2
50	7.4	7.3
75	5.0	5.0
100	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	4.9	4.9

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HOMEOWNERSHIP PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $2,101,955,000 total original principal amount of bonds under the General Resolution, of which $1,312,985,000 (unaudited) were outstanding as of May 31, 2012, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of May 31, 2012 (unaudited)	Original Net Interest Cost[1]
2003-1	February 27, 2003	$ 50,000,000	$ 17,550,000	4.64
2003-2	July 31, 2003	60,000,000	25,210,000	3.90
2003-3	November 5, 2003	75,000,000	28,115,000	4.30
2004-1	March 4, 2004	80,000,000	34,125,000	4.40
2004-2	July 15, 2004	100,000,000	44,830,000	4.86
2004-3	January 13, 2005	100,000,000	47,545,000	4.41
2005-1	July 28, 2005	100,000,000	55,550,000	4.33
2005-2	November 17, 2005	100,000,000	54,970,000	4.61
2006-1	April 27, 2006	100,000,000	55,975,000	4.66
2006-2	July 27, 2006	100,000,000	53,450,000	4.85
2006-3	October 31, 2006	100,000,000	62,075,000	4.58
2007-1	March 13, 2007	100,000,000	64,530,000	4.49
2007-2	June 6, 2007	120,000,000	83,880,000	4.53
2007-3	August 7, 2007	150,000,000	97,925,000	4.77
2007-4	October 30, 2007	150,000,000	102,995,000	4.79
2008-1	May 29, 2008	60,000,000	41,610,000	4.93
2008-2	August 7, 2008	50,000,000	28,175,000	5.28
2008-3	September 30, 2008	90,000,000	58,695,000	5.00
2008-4	December 18, 2008	30,000,000	8,105,000	5.56
2009-1	June 11, 2009	50,000,000	43,490,000	4.39
2009-2	September 30, 2009	75,000,000	65,220,000	4.06
2010-1	October 13, 2010	120,700,000	100,050,000	3.57
2011-1	December 1, 2011	141,255,000	138,915,000	3.80
TOTAL		$2,101,955,000	$1,312,985,000	

(1) Bond yield.

Origination Experience

Other than bond issues currently being originated, between January 1, 1995, and May 31, 2012, THDA fully originated all bond issues with the exception of the following two transactions which experienced unexpended proceeds redemptions:

Issue of Bonds	Lendable Proceeds	Program Loans Financed Amount	Program Loans Financed %	Non-Origination Bond Redemptions	Mortgage Interest Rate(s)
1995-1	$ 59,309,056	$ 23,702,408	39.96%	$35,600,000	7.40/5.50
1996-3	64,303,700	42,049,898	65.39	22,250,000	6.75/6.50/6.25

THDA's experience from January 1, 2000, to May 31, 2012, regarding origination of Program Loans[1] from lendable proceeds of Bonds issued since January 1, 2000, is shown in the following table:

Issue of Bonds	Lendable Proceeds	Program Loans Financed[2] as of May 31, 2011 Amount	%	Mortgage Interest Rate(s)
2000-1	$ 103,803,075	$ 103,803,075	100.00	7.30
2000-2A/B	108,900,000	108,900,000	100.00	7.30/7.25/6.50/6.25
2001-2A/B	60,000,000	59,997,726	100.00	7.25/6.25/5.90/6.90
2001-3A/B	64,580,000	64,580,000	100.00	5.90/6.90
2002-1A/B	85,000,000	84,995,890	100.00	6.00/7.00
2002-2A/B	85,000,000	85,000,000	100.00	6.00/7.00/5.625/6.625/5.40/6.40
2003-1A/B	50,000,000	50,000,000	100.00	5.25/6.25/4.75/5.75/4.65/5.65
2003-2A/B	61,108,600[3]	61,108,600	100.00	4.65/5.65
2003-3A/B	76,723,250[3]	76,723,250	100.00	5.25/6.25
2004-1	81,914,000[3]	81,914,000	100.00	4.95/5.95/5.25/6.25/5.60/6.60
2004-2	101,909,600[3]	101,909,600	100.00	5.60/6.60/5.10/6.10
2004-3	89,023,500[3]	89,023,500	100.00	5.10/6.10/4.99/5.99
2005-1	102,000,000[3]	102,000,000	100.00	4.99/5.99
2005-2	101,606,800[3]	101,606,800	100.00	4.99/5.30/5.99/6.30
2006-1	102,908,000[3]	102,908,000	100.00	5.30/5.40/6.30/6.40
2006-2	102,913,560[3]	102,913,560	100.00	5.40/5.80/6.40/6.80
2006-3	103,584,640[3]	103,583,316	100.00	5.40/5.50/5.80/5.90/6.00/6.40/6.50/6.80
2007-1	103,043,200[3]	103,041,521	100.00	5.40/5.90/6.40
2007-2	123,201,600[3]	123,194,178	100.00	5.40/5.90/6.40/5.70/6.20/6.70
2007-3	153,968,215[3]	153,967,959	100.00	5.70/6.00/6.20/6.50/6.70/7.00
2007-4	154,361,250[3]	154,360,985	100.00	5.45/5.75/5.95/6.00/6.25/6.45/6.50/6.75
2008-1A/B	60,000,000	60,000,000	100.00	5.45/5.80/6.30/6.80
2008-2A/B	59,000,000[4]	59,000,000	100.00	5.80/5.99/6.30/6.49/6.80/6.99
2008-3	90,000,000	89,998,284	100.00	5.80/5.99/6.10/6.15/6.30/6.49/6.60/6.80/6.99/7.10
2008-4	35,000,000	34,999,852	100.00	5.55/5.85/6.15
2009-1	50,000,000	49,999,065	100.00	5.20/5.50/5.80
2009-2	75,000,000	74,999,843	100.00	5.20/5.50/5.80
2010-1	2,150,000[5]	2,149,707	99.99	4.85
TOTAL	$2,386,699,290	$2,386,678,711		

(1) See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Program Loans" for more information about Program Loans.

(2) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

(3) Includes initial issue premium paid with respect to planned amortization class bond.

(4) These lendable proceeds include $50,000,000 in proceeds from Issue 2008-2A/B plus $9,000,000 released from the lien of the 1974 General Resolution in accordance with its terms and transferred to the Issue 2008-2 Loan Fund of the General Resolution.

(5) These lendable proceeds do not include proceeds that must be lent at 0% interest as participations in other Program Loans.

From December 2009 to April 2012, THDA originated mortgage loans with the proceeds of bonds issued under the 2009 General Resolution through the New Issue Bond Program. Proceeds of Issue 2011-C, the most recent publicly offered bonds issued by THDA under the 2009 General Resolution, and proceeds of Issue 2009-B, Subseries B-5, the last tranche of bonds released from escrow under the New Issue Bond Program, were used to purchase Program Loans through April 2012. No additional proceeds through the New Issue Bond Program and the 2009 General Resolution remain available.

THDA expects to reimburse itself for the full original principal amount of Program Loans purchased as of the day of closing. As of June 18, 2012, THDA has purchased $12,122,644 in Program Loans that will be reimbursed from the proceeds of the Offered Bonds.

HOMEOWNERSHIP PROGRAM LOANS

Description of Homeownership Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limit is $240,000 for all counties except those counties in the Nashville Metropolitan Statistical Area ("MSA"). The THDA Acquisition Cost Limit is $275,000 for those counties in the Nashville MSA. The THDA Household Income Limits range from $54,480 to $92,680 depending on household size and geographic location. See Appendix G for a description of Homeownership Program Loan Procedures related to Code requirements.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. As of May 31, 2012, the current interest rate for Great Rate Program Loans is 3.95%, the current interest rate for the Great Advantage Program Loans is 4.25% and the current interest rate for Great Start Program Loans is 4.55%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues in the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of $32,760, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. An interest rate equal to one-half of the current interest rate for Great Rate Program Loans is available to borrowers who have a maximum family income of $38,220, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. All other THDA Program Loan requirements remain applicable. As of May 31, 2012 (unaudited), 367 New Start Program Loans, with an aggregate principal balance of approximately $18,037,000, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other bonds.

Prior Programs

THDA previously offered specialized mortgage loan products under the START Program, the RIC Program and the LIFT Program, which programs targeted lower income borrowers or borrowers who resided either in rural counties or inner cities. Program Loans under these programs constitute, in the aggregate, less than .01% of all Program Loans by principal amount and less than 1.5% of all Program Loans by number of loans. THDA no longer finances Program Loans under these programs.

Homeownership Program Portfolio Data

General

As of May 31, 2012 (unaudited), 17,447 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $1,336,471,953 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 274.79 months and an approximate weighted average interest rate of 5.78%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of May 31, 2012 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA (1)	Number of Program Loans	Outstanding Balance (3)	Percent of Total Number of Program Loans (3)	Percent of Outstanding Balance (4)
FHA Insured…………………………	11,548	$ 847,491,987	66.19%	63.47%
VA Guaranteed………………………	585	39,315,858	3.35	2.94
Privately insured...........................	2,606	257,857,471	14.94	19.29
Uninsured(2)…………………………	781	48,403,693	4.48	3.62
USDA/RD Guaranteed……………...	1,927	143,402,943	11.04	10.73
TOTAL…………………………….…	17,447	$1,336,471,953	100.00%(4)	100.00%(4)

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs" for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Transferred Loans are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of May 31, 2012 (unaudited), 2,606[(1)] privately insured Program Loans having an aggregate balance of approximately $257,857,471 were outstanding under the General Resolution. As of May 31, 2012 (unaudited), THDA had the following information regarding the private mortgage insurer for 2,344 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [(3)]	Percent of Total Number of Program Loans[(3)]	Percent of Outstanding Balance [(3)]
Commonwealth/CMAC	9	$ 394,170	0.0516%	0.0294%
Genworth Mortgage Insurance Corp. (GE)	1,020	105,952,727	5.8463	7.9140
MGIC	777	79,057,147	4.4535	5.9058
PMI Mortgage Insurance[(2)]	13	808,228	0.0745	0.0603
Radian Guaranty Inc.	14	1,145,917	0.0802	0.0856
Republic Mortgage Insurance Corporation	159	17,522,437	0.9113	1.3091
Traid	23	1,762,770	0.1318	0.1317
United Guaranty Residential Insurance Co.	329	33,182,455	1.8857	2.4783
TOTAL	2,344	$239,825,850[(4)]	13.4350%[(4)]	17.9143%[(4)]

(1) The private mortgage insurer is not identified with respect to 262 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) PMI Mortgage Insurance is under the oversight of the Arizona Department of Insurance and, effective October 25, 2011, will pay claims only at the rate of $.50 per $1.00.

(3) Rounded figures.

(4) Rounded total.

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Program Loan Interest Rates

The following table summarizes, as of May 31, 2012 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[1]	Outstanding Balance[2]	Percent of Total Number of Program Loans[2]	Percent of Outstanding Balance[2]
0.00-0.99	367	$ 18,037,098	2.10%	1.35%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	1	108,523	0.01	0.01
3.00-3.99	2	280,238	0.01	0.01
4.00-4.99	1,218	104,602,428	6.98	7.83
5.00-5.49	3,783	359,304,443	21.68	26.88
5.50-5.99	4,987	441,875,454	28.58	33.06
6.00-6.49	2,910	222,576,643	16.68	16.65
6.50-6.99	1,717	110,763,411	9.84	8.29
7.00-7.49	902	44,040,217	5.17	3.30
7.50-7.99	415	17,329,193	2.38	1.30
8.00-8.49	379	3,139,770	2.17	0.23
8.50-8.99	468	9,591,640	2.68	0.72
9.00-9.49	239	4,169,670	1.37	0.32
9.50-9.99	59	653,225	0.33	0.05
TOTAL	17,447	$1,336,471,953[3]	100.00%[3]	100.00%[3]

(1) See “HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs” for a description of types of Program Loans.
(2) Rounded figures.
(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America (“MBA”).

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of May 31, 2012

As of May 31, 2012 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.06%, based on a total of 17,447 Program Loans as of May 31, 2012.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of May 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MAY 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	285	$20,379,350	2.47%	1.71%[4]
VA Guaranteed	5	266,117	0.85	0.93
Privately insured	27	2,911,301	1.04	0.62[5]
USDA/RD Guaranteed	43	3,024,400	2.23	(6)
Uninsured	0	0	0.00	(6)
TOTAL	360	$26,581,169[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of May 31, 2012 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 5.06%, based on a total of 17,447 Program Loans as of May 31, 2012.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of May 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MAY 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	701	$51,939,478	6.07%	4.94%[4]
VA Guaranteed	27	2,066,077	4.62	2.57
Privately insured	65	6,514,250	2.49	1.36[5]
USDA/RD Guaranteed	81	5,815,122	4.20	(6)
Uninsured	8	591,117	1.02	(6)
TOTAL	882	$66,926,044[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of May 31, 2012 (unaudited), the overall rate of Program Loans in foreclosure was 0.75%, based on a total of 17,447 Program Loans as of May 31, 2012.

The foreclosure rate by loan type for Program Loans in foreclosure as of May 31, 2012 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2012, are as follows:

IN FORECLOSURE AS OF MAY 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	100	$6,958,426	0.87%	2.79%(4)
VA Guaranteed	3	334,540	0.51	1.84
Privately insured	17	1,836,833	0.54	1.37(5)
USDA/RD Guaranteed	9	635,280	0.47	(6)
Uninsured	2	168,912	0.00	(6)
TOTAL	131	$9,933,991(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

The Transferred Program Loans are expected to have an approximate weighted average maturity of 248 months and a weighted average interest rate of 5.53% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE OFFERED BONDS – Prepayment Experience of Transferred Program Loans" herein. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of May 31, 2012; the Transferred Program Loans will not be allocable to the Offered Bonds until September 1, 2012, and Transferred Program Loan characteristics may change slightly from May 31, 2012 to September 1, 2012).

Transferred Program Loans by Type of Mortgage

Type of Mortgage	Number	Principal Amount (3)	% of Transferred Principal Amount
FHA Insured………………………..…	520	$38,252,048	82.99%
VA Guaranteed……………….…...	24	1,823,564	3.96
USDA/RD Guaranteed……………	62	4,331,143	9.40
Privately Insured(1)…………………	18	1,100,409	2.39
Uninsured(2)………………………..	9	587,474	1.27
TOTAL………………………………	633	$46,094,638 (4)	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.
(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.
(3) Rounded figures.
(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of May 31, 2012 (unaudited), $1,121,917 principal amount of the Transferred Program Loans are privately insured. As of May 31, 2012 (unaudited), the private mortgage insurer is not identified with respect to the 18 privately insured Program Loans as these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to Issue 2003-1 Bonds, and Issue 2003-3 Bonds, all issued and outstanding under the General Resolution. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to each series of the Prior Bonds for the 3 month, 6 month and 12 month periods ended on May 31, 2012, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Mortgage Rate
2003-1	106%	130%	102%	137%	5.56%
2003-3	168	164	142	147	5.52

Delinquency Information for the Transferred Program Loans

As of May 31, 2012 (unaudited), the overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.05%, based on a total of 633 Transferred Program Loans.

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of May 31, 2012, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MAY 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	12	$913,265	2.31%	1.71%(4)
VA Guaranteed	1	57,170	4.17	0.93
Privately Insured	0	0	0.00	0.62(5)
USDA/RD Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	13	$970,435(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of May 31, 2012 (unaudited), the overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 2.84%, based on a total of 633 Transferred Program Loans.

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of May 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MAY 31, 2012

Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	14	$1,149,168	2.69%	4.94%(4)
VA Guaranteed	0	0	0.00	2.57
Privately Insured	1	45,689	5.56	1.36(5)
USDA/RD(1) Guaranteed	3	243,262	4.84	(6)
Uninsured	0	0	0.00	(6)
TOTAL	18	$1,438,118(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

As of May 31, 2012 (unaudited), the rate of Transferred Program Loans in foreclosure was 0.47%, based on a total of 633 Transferred Program Loans.

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of May 31, 2012 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending March 31, 2012, are shown in the following table:

IN FORECLOSURE AS OF MAY 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	3	$220,261	0.38%	2.79%(4)
VA Guaranteed	0	0	0.00	1.84
Privately Insured	0	0	0.00	1.37(5)
USDA/RD(1) Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	3	$220,261(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM

Consolidated Revenues and Net Assets

The following table summarizes consolidated revenues and net assets for Homeownership Program Bonds for the five most recent years, and for the nine months ended March 31, 2012, and March 31, 2011. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the years ending June 30, 2011, 2010, 2009, 2008, and 2007, and for the nine months ended March 31, 2012 (unaudited) and March 31, 2011 (unaudited).

	Nine Months Ended March 31 (Unaudited)		Year Ended June 30 (Audited)				
Homeownership Bond Group	2012	2011	2011	2010	2009	2008	2007
REVENUES:							
Interest on Mortgages	$ 63,298	$ 71,918	$ 93,952	$ 107,457	$ 110,312	$ 101,478	$ 83,531
Investment Income:							
Interest	6,819	6,949	9,235	10,561	12,140	18,263	20,052
Net Increase (decrease) in the Fair Value of Investments	552	(5,679)	(4,118)	1,601	3,017	7,060	924
Fees and Other Income	-	-	-	-	-	-	-
	70,669	73,188	99,069	119,619	125,469	126,801	104,507
EXPENSES:							
Interest	49,788	55,997	72,065	85,940	87,976	87,411	73,959
Issuance Cost	437	454	621	656	624	548	484
Mortgage Servicing Fees	3,990	4,517	5,918	6,697	6,783	6,339	5,185
Down Payment Assistance Grants	5,894	5,898	7,877	8,197	3,748	3,094	3,685
Other	4,648	3,898	6,215	2,884	2,359	2,758	2,006
	64,757	70,764	92,696	104,374	101,490	100,150	85,319
Excess of Revenues over Expenses	5,912	2,424	6,373	15,245	23,979	26,651	19,188
Net Assets/Retained Earnings at beginning of period	348,928	358,100	358,100	360,461	336,488	307,832	277,851
Loss on early retirement of bonds	-	-	-	-	-	-	-
Other Transfers	(10,003)	(41,207)	(15,545)	(17,606)	(6)	2,005	10,793
Net Assets/Retained Earnings at end of period	$ 344,837	$ 319,317	$ 348,928	$ 358,100	$ 360,461	$ 336,488	$ 307,832

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. Bids are solicited by THDA in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of May 31, 2012 (unaudited), the short-term investment portfolio was placed as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 7,685,675
Federal Home Loan Bank Notes	23,935,420
Federal Home Loan Mortgage Corporation Notes	10,362,568
Fannie Mae Notes	69,543,700
Repurchase Agreements	49,000,000
United States Treasury Bonds	60,428,600
TOTAL	$220,955,963

As of May 31, 2012 (unaudited), amounts in the Debt Service Reserve Fund, a portion of the short-term investment portfolio described above, were invested as follows:

Types of Investments	Amount
Federal Farm Credit Bank Notes	$ 1,670,000
Federal Home Loan Bank Notes	8,254,480
Federal Home Loan Mortgage Corporation Notes	5,711,608
Fannie Mae Notes	49,984,780
United States Treasury Bonds	60,428,600
TOTAL	$126,049,468

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

THDA is subject to periodic review by the General Assembly to evaluate the necessity for its continued existence. THDA's existence has been continued until June 30, 2014.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of May 31, 2012 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $2,006,295,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service

Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors are shown below:

Name	Term Expires	Principal Occupation
Robyn J. Askew	July 1, 2013	Attorney, Lewis, King, Kreig & Waldrop, PC Knoxville, TN
Phil M. Baggett	July 1, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
Brian Bills, Chairman	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Tim Bolding	July 1, 2012	Executive Director, United Housing, Inc. Memphis, TN
Mark Cate(1)	(2)	Special Assistant & Policy Advisor to the Governor
Philip C. Chamberlain, II	July 1, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Mark Emkes(1)	(2)	Commissioner, Department of Finance and Administration
William Graves	July 1, 2013	Retired. Formerly General Manager, Fleetwood Homes of TN, Inc., Gallatin, TN
Tre Hargett(1)	January, 2013	Secretary of State
Winston Henning	July 1, 2012	Executive Director, Jackson Housing Authority, Jackson, TN
Loretta J. Jercinovich	July 1, 2012	President, First State Bank Mortgage Division Jackson, TN
David H. Lillard, Jr.(1)	January, 2013	State Treasurer
Janis McNeely	July 1, 2013	Retired. Formerly, Relationship Manager, First Tennessee Home Loans, Nashville, TN
Alvin Nance	July 1, 2012	President/CEO, Knoxville's Community Development Corporation, Knoxville, TN
Ralph M. Perrey	July 1, 2015	Senior Business Developer—Appalachia, Fannie Mae, Nashville, TN
Lisa Reid	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
Benjie Shuler	July 1, 2012	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	July 1, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson(1)	January, 2013	Comptroller of the Treasury
Mary Chatman	(3)	Springfield, TN

(1) Ex officio member.

(2) Serves at pleasure of Governor.

(3) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 231 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ted R. Fellman – Executive Director since 2005. THDA employee since 1995. Formerly, Tennessee Department of Correction (1992-1995); Correctional Enterprises of Tennessee (1986-1992); Tennessee Department of Finance and Administration (1984-1986). B.S., Tennessee Technological University; M.P.A., Tennessee State University. Mr. Fellman has announced his retirement effective December 31, 2012. A search committee of the THDA Board of Directors has been appointed to seek a successor.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Ronald L. Erickson, C.P.A. – Director of Internal Audit since 2000. Formerly, Tennessee Department of General Services (1984-2000); Comptroller of the Treasury, Division of Municipal Audit (1980-1984). B.B.A., Austin Peay State University.

Lindsay Hall – Senior Director of Single Family Programs since January 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Cheryl Jett – Senior Director of Multifamily Programs since January 2012. THDA employee since 2001. Formerly, Statistical Analyst, Tennessee Department of Mental Health and Developmental Disabilities (2001); Tennessee Housing Development Agency (1998-2001); B.S., Louisiana State University; MBA, Golden Gate University; U.S. Air Force (1987-1991).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Trent Ridley – Chief Financial Officer since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

Laura Sinclair – Chief Program Officer since February 2011. THDA employee since 2006. Formerly, Columbia National Mortgage (1998-2000); Tennessee Housing Development Agency (1997-1998); New Mexico Mortgage Finance Authority (1994-1997); North American Mortgage Co. (1992-1994); CBS Commercial Real Estate Co. (1990-1991); PaineWebber Mortgage Finance Co. (1984-1990). B.A., University of New Mexico.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in eight (8) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Homeownership Program and any of the other general bond resolutions or mortgage loan programs of THDA. The Housing Program Fund originally contained, among other things, state tax revenue statutorily directed to THDA for the HOUSE Program, a statutorily authorized grant program administered by THDA that is not related to the General Resolution, the Homeownership Program or any of the other general bond resolutions or mortgage loan programs of THDA. The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings. These funds are not pledged as security for the Bonds. See Appendix E under the heading "THDA Funds," for a description of each of these statutorily created funds.

While amounts on deposit in the Assets Fund are not specifically pledged as security for bonds issued under the General Resolution or any other bond resolution of THDA, the Assets Fund is a general asset of THDA and may, subject to the respective terms of the Act, the General Resolution, or any other general bond resolution of THDA, serve as supplemental security for bonds issued under any such general bond resolutions. As a result of transfers required by the State and subsequent action by THDA, no amounts are currently on deposit in the Assets Fund. See "SECURITY AND SOURCES OF PAYMENT OF BONDS – Security of Bonds and Sources of Payment" herein for a description of sources of payment for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal year ending June 30, 2012.

Payment of THDA Operating Expenses, Including Program Expenses

THDA administers certain federal programs such as the low income housing tax credit program, the Section 8 voucher program and the HOME program and pays operating expenses associated with these programs from administrative fees earned or other fees charged in connection with the administration of these programs. Neither investment earnings from the Assets Fund nor amounts in the General Resolution have been used to pay the operating expenses associated with these programs.

From 1988 to 2002, investment earnings from amounts on deposit in the Assets Fund, as supplemented with investment earnings on other THDA funds, were a primary source for paying THDA operating and administrative costs and expenses, including staff salaries, Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and substantially all other expenses associated with the Homeownership Program and the other general bond resolutions and mortgage loan programs of THDA. Investment earnings from amounts on deposit in the Assets Fund were annually transferred by THDA to the Housing Program Fund, from which referenced expenses were paid. Although such investment earnings on amounts on deposit in the Assets Fund no longer exist due to the transfers from the Assets Fund to the State General Fund described above, THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure cost and other similar costs) and other THDA operating and administrative costs and expenses from the Housing Program Fund and other available funds under the 1974 General Resolution and the General Resolution. In the future, however, THDA expects to use more of the amounts available under the General Resolution and the 1974 General Resolution for the payment of Program Expenses in addition to the payment of Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Regardless of THDA's best efforts and in the event of additional transfers, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

State Budget

The State-approved budget for fiscal year 2011-2012, which ends June 30, 2012 (the "FY 2011-2012 Budget"), is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The FY 2011-2012 Budget, as adopted by the General Assembly, is based on July 1, 2011, State revenue growth estimates that reflect 2.12% growth in total revenue collections and 2.16% in General Fund revenue collections in fiscal year 2011-2012, compared with the previous fiscal year.

On an accrual basis, May was the tenth month of fiscal year 2011-2012. Year-to-date state tax collections for the first 10 months of the fiscal year were $428.5 million more than the July 1, 2011, budgeted estimate, and the General Fund collections were $412.4 million more than budgeted. The FY 2011-2012 mid-year revised budget (at January 2012) assumed an over-collection of $209.6 million in General Fund taxes for FY 2011-2012. Therefore, the amount over-collected in the 10 months year-to-date, above and beyond the revised 12-month over-collection estimate, is $202.8 million in the General Fund ($412.4 million minus $209.6 million).

Actual revenue growth rates for the first 10 months of fiscal year 2011-2012, compared with the first 10 months of the previous fiscal year, are 8.01% in total taxes and 8.91% in the general fund.

The State-approved budget for fiscal year 2012-2013, which begins July 1, 2012, also is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The budgeted revenue growth rates for fiscal year 2012-2013 are 3.56% in total taxes and 3.74% in the General Fund, before consideration of tax reductions enacted in the 2012 legislative session. (Reduction of the sales tax rate on grocery food from 5.5% to 5.25% and elimination of the State gift tax will increase the growth rate necessary to achieve the budgeted revenue estimates in 2012-2013.)

Reserves are available as an additional hedge against a revenue shortfall. The Rainy Day Fund was at $283.6 million at June 30, 2011, and is projected to be $306 million at June 30, 2012, and $356 million at June 30, 2013.

If projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 58,551 active members in TCRS in the state and higher education employee group at June 30, 2012. This total includes 219 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees in the state and higher education group, including THDA employees, are noncontributory.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The last valuation was performed as of July 1, 2011.

Actuarial Valuation

At July 1, 2011, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.555 billion, resulting in a funded ratio of 88.30%. The unfunded actuarial liability would have been $2.520 billion if based on the market value of assets. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2011, and ending June 30, 2012, is 14.91% based on the actuarial valuation performed as of July 1, 2009. The July 1, 2011, actuarial valuation establishes the employer contribution rate of 15.03% for the two year period beginning July 1, 2012, and ending June 30, 2014.

A history of THDA's contributions to TCRS is reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2012	14.91%	$12,151,100*	$1,811,729*	1.36%
2011	14.91%	10,593,944	1,585,654	1.25
2010	13.02%	9,956,646	1,295,272	1.03
2009	13.02%	9,267,262	1,201,303	0.98
2008	13.66%	9,602,067	1,297,298	1.02
2007	13.58%	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2011, the salary of THDA employees totaled $10,593,944, which represents 0.44% of the $2.432 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred market losses that have been actuarially smoothed are recognized over the next ten years.

GASB Exposure Draft Amending Statement 27

The Governmental Accounting Standards Board (GASB) has issued an exposure draft amending GASB statement number 27 relative to accounting and reporting for pensions. If adopted as proposed, it would separate pension accounting from pension funding, which heretofore have been tied together. The amendment proposes a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, the amendment proposes a methodology for measuring the pension liability to be presented in the employer's financial statement. No prediction can be made as to whether and in what form it might be adopted and as to any actual effects. However, financial statement presentation will not affect the pension funding methodologies described herein.

Other Post-Employment Benefits

Certain Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2009, which was updated as of July 1, 2010, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $3,316,000 and the annual required contribution for THDA is approximately $358,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2012. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution and the 2009 General Resolution. THDA funds which are not pledged under the General Resolution, the 1974 General Resolution or the 2009 General Resolution can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2012-1A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2012-1B Bonds and the Issue 2012-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2012-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2012-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned the Offered Bonds a rating of Aa1 and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business ("S&P") has assigned the Offered Bonds a rating of AA+. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's and Standard & Poor's. THDA has furnished to Moody's and Standard & Poor's certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 2009 General Resolution, and the 1974 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2012-1 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2012-1 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in "FINANCIAL STATEMENTS" below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under "HOMEOWNERSHIP PROGRAM BONDS," "HOMEOWNERSHIP PROGRAM LOANS," and "FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM," including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, (ii) contained in Appendix E hereto and (iii) annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Debt Service Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on any credit enhancement reflecting financial difficulties; (v) substitution of credit or liquidity providers, if any, for the Offered Bonds, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax-exempt status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2012-1 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2012-1 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2012-1 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2012-1 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the years ended June 30, 2011, and June 30, 2010, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the nine months ended March 31, 2012, and March 31, 2011. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

UNDERWRITING

Citigroup Global Markets Inc., Raymond James | Morgan Keegan, RBC Capital Markets, LLC, J.P. Morgan Securities LLC, Wells Fargo Bank, N.A., and FTN Financial Capital Markets (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at a purchase price of 100% of the principal amount thereof. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $898,353.62. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Offered Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Offered Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase the Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan & Company, Inc. ("Morgan Keegan") from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James I Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution agreement with Raymond James for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the Underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Offered Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and First Tennessee Brokerage, Inc. is a wholly-owned subsidiary of First Tennessee Bank National Association.

FTN Financial Capital Markets has entered into a distribution agreement with First Tennessee Brokerage, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Tennessee Brokerage, Inc.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ted R. Fellman
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

September 30, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2011, and June 30, 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other

responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2011, and June 30, 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we will issue a report dated September 30, 2011, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2011 and June 30, 2010. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2011, THDA has originated over 106,000 single-family mortgage loans in its 38-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements

of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at http://tennessee.gov/finance/act/cafr.html.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2011

- Total assets decreased by $180.0 million, or 6.2 %.
- Total liabilities decreased by $181.2 million, or 7.6%.
- Net assets (the amount that total assets exceeds total liabilities) were $520.0 million. This is an increase of $1.2 million, or 0.2%, from fiscal year 2010.
- Cash and cash equivalents decreased $193.9 million, or 38.4%.
- Total investments increased $23.8 million, or 11.2%.
- Bonds and notes payable decreased $176.7 million, or 7.6%.
- THDA originated $231.1 million in new loans, which is a decrease of $113.0 million, or 32.8%, from the prior year.

Year Ended June 30, 2010

- Total assets increased by $354.8 million, or 13.9 %.
- Total liabilities increased by $346.0 million, or 16.9%.
- Net assets (the amount that total assets exceeds total liabilities) were $518.8 million. This is an increase of $8.8 million, or 1.7%, from fiscal year 2009.
- Cash and cash equivalents increased $361.0 million, or 251.8%.
- Total investments decreased $139.2 million, or 39.7%.
- Bonds and notes payable increased $344.6 million, or 17.4%.
- THDA originated $344.0 million in new loans, which is an increase of $129.5 million, or 60.4%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Current assets	$ 304,429	$ 397,864	$ 313,017
Capital assets	157	79	29
Other noncurrent assets	2,430,331	2,516,989	2,247,094
Total assets	2,734,917	2,914,932	2,560,140
Current liabilities	150,534	193,765	145,096
Noncurrent liabilities	2,064,427	2,202,405	1,905,071
Total liabilities	2,214,961	2,396,170	2,050,167
Invested in capital assets	157	79	29
Restricted net assets	517,587	514,383	508,036
Unrestricted net assets	2,212	4,300	1,908
Total net assets	$ 519,956	$ 518,762	$ 509,973

2011to 2010

- THDA's total net assets increased $1.2 million, or 0.2%, from $518.8 million at June 30, 2010 to $520.0 million at June 30, 2011. While various factors accounted for this change, the most significant factors include a decrease in interest expense, an increase in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, an increase in other program expenses, and a decrease in federal grant administration fees.

- Mortgage loans receivable increased $3.8 million, or 0.2%, from $2,115.6 million at June 30, 2010 to $2,119.4 million at June 30, 2011. During FY 2011, single-family mortgage loan originations decreased $113.0 million, or 32.8% from $344.1 million in FY 2010 to $231.1 million in FY 2011. Conversely, mortgage loan prepayments (which includes loans in which a foreclosure sale has occurred) increased $0.9 million, or 0.5%, from $179.3 million in FY 2010 to $180.2 million in FY 2011.

- Total liabilities decreased $181.2 million, or 7.6%, from $2,396.2 million at June 30, 2010 to $2,215.0 million at June 30, 2011. The decrease is primarily due to a reduction in the amount of bonds issued during fiscal year 2011 as compared to fiscal year 2010, as well as an increase in the redemption of bonds as compared to fiscal year 2010.

2010 to 2009

- THDA's total net assets increased $8.8 million, or 1.7%, from $510.0 million at June 30, 2009 to $518.8 million at June 30, 2010. This resulted from operating revenues that exceeded operating expenses.

- Mortgage loans receivable increased $116.2 million, or 5.8%, from $1,999.4 million at June 30, 2009 to $2,115.6 million at June 30, 2010. This increase resulted from mortgage loan originations that exceeded mortgage loan prepayments and repayments.

- Total liabilities increased $346.0 million, or 16.9%, from $2,050.2 million at June 30, 2009 to $2,396.2 million at June 30, 2010. The increase is primarily due to a increase in the amount of bonds issued during fiscal year 2010 as compared to fiscal year 2009, primarily, the issuance of bonds in the Housing Finance Program Bonds Resolution.

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Operating revenues			
Mortgage interest income	$ 119,406	$ 118,572	$ 119,500
Investment income	6,156	14,517	17,905
Other	17,041	17,588	14,186
Total operating revenues	142,603	150,677	151,591
Operating expenses			
Interest expense	88,301	93,154	93,103
Other	38,905	32,677	29,931
Total operating expenses	127,206	125,831	123,034
Operating income	15,397	24,846	28,557
Nonoperating revenues (expenses)			
Grant revenues	355,754	254,417	186,800
Grant expenses	(369,957)	(270,474)	(199,132)
Total nonoperating revenues (expenses)	(14,203)	(16,057)	(12,332)
Change in net assets	$ 1,194	$ 8,789	$ 16,225

2011 to 2010
Total operating revenues decreased $8.1 million from $150.7 million for the year ended June 30, 2010 to $142.6 million for the year ended June 30, 2011. The primary reasons for this decrease are as follows:

- Investment income decreased $8.4 million, or 57.6%, from $14.5 million in 2010 to $6.2 million in 2011. This decrease is primarily due to a decrease in the fair value of investments of $4.9 million in FY 2011 as compared to an increase in the fair value of investments of $1.7 million in FY 2010.

- Federal grant administration fees decreased $1.2 million, or 8.1%, from $15.1 million in 2010 to $13.9 million in 2011. This primarily resulted from a decrease in federal administrative fees earned on the Section 8 tenant-based HCV program.

For the year ended June 30, 2011, total operating expenses increased $1.4 million, or 1.1%, from $125.8 million in 2010 to $127.2 million in 2011. The primary reasons for this increase are as follows:

- Interest expense decreased $4.9 million, or 5.2%, from $93.2 million in 2010 to $88.3 million in 2011. This decrease is primarily due to a decrease in bonds payable during FY 2011.

- Other program expenses increased $5.4 million, or 84.6%, from $6.4 million in 2010 to $11.9 million in 2011. There were several factors that contributed to this increase, among which were an increase in expenses related to mortgage loan foreclosures and incurring administrative expenses in administering ARRA grants as well as in implementing the Hardest Hit Fund (HHF).

2010 to 2009

For the year ended June 30, 2010, total operating revenues decreased $.9 million from $151.6 million for the year ended June 30, 2009, to $150.7 million for the year ended June 30, 2010.

For the year ended June 30, 2010, total operating expenses increased $2.8 million, or 2.3%, from $123.0 million in 2009 to $125.8 million for the year ended June 30, 2010.

While the total net assets for fiscal year 2010 increased $8.8 million from the previous year, the non-monetary change in the fair value of investments contributed $3.8 million toward this increase. When considered without these non-monetary components, net assets would have increased $5.0 million.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2011	2010	2009
Bonds payable	$ 2,140,486	$ 2,316,748	$ 1,972,561
Notes payable	3,250	3,672	3,250
Total bonds and notes payable	$ 2,143,736	$ 2,320,420	$ 1,975,811

Year Ended June 30, 2011

Total bonds and notes payable decreased $176.7 million, or 7.6%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $201.9 million, with activity arising from three bond issues.

Year Ended June 30, 2010

Total bonds and notes payable increased $344.6 million, or 17.4%, due primarily to an increase in the issuance of THDA's bonds. During the fiscal year, THDA issued debt totaling

$551.0 million, with activity arising from four bond issues. During FY 2010, THDA participated in the New Issue Bond Program (NIBP) as established by the United States Treasury Department. Principal redemptions during FY 2010 totaled $203.6 million.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	60,000,000	Bond Issue 2009-B, Subseries B-3

As of June 30, 2011, the amount of bonds remaining in the Issue 2009-B1 escrowed bonds was $94,710.000.

Considering the investment requirements for the NIBP escrowed bonds as established by the United States Treasury Department, the proceeds of these escrowed bonds are presented on the Statements of Net Assets as Non-Current Assets, Restricted Assets, Cash and Cash Equivalents. Bonds issued under the NIBP have been placed in the Housing Finance Program Bonds resolution.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

There were no revisions to THDA's bond ratings during FY 2011 or FY 2010.

Debt Limits

In accordance with *Tennessee Code Annotated* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2011	FY 2010	FY 2009 and Prior	Total
Funding Sources:				
THDA	$ 6,000,000	$ 6,000,000	$ 18,000,000	$ 30,000,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 2,100,000	$ 3,500,000
Ramp Program (UCP)	-	-	50,000	50,000
Ramp Program	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	-	300,000
Homebuyer Education Initiative	-	-	300,000	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	6,000,000	10,000,000
Competitive Grants	3,150,000	3,150,000	13,500,000	19,800,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2011, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2011, 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/singlefamily/hochoices.html.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2011, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,725	521	39,122,105	1.95%
90+ Days Past Due	26,725	1,085	81,167,263	4.06%
In Foreclosure	26,725	308	24,127,169	1.15%

As of June 30, 2010, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,756	657	46,015,708	2.46%
90+ Days Past Due	26,756	1,293	95,704,596	4.83%
In Foreclosure	26,756	136	10,466,566	0.51%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 203,071	$ 270,188
Investments (Note 2)	-	14,579
Receivables:		
Accounts	23,750	28,463
Interest	12,854	13,258
First mortgage loans	49,947	48,601
Due from federal government	14,807	22,775
Total current assets	304,429	397,864
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	107,502	234,268
Investments (Note 2)	196,928	181,751
Investment interest receivable	2,261	2,169
Investments (Note 2)	38,857	15,643
First mortgage loans receivable	2,069,473	2,066,997
Deferred charges	12,327	13,209
Advance to local government	2,983	2,952
Capital assets:		
Furniture and equipment	517	346
Less accumulated depreciation	(360)	(267)
Total noncurrent assets	2,430,488	2,517,068
Total assets	2,734,917	2,914,932
LIABILITIES		
Current liabilities:		
Warrants / wires payable (Note 3)	10,913	8,297
Accounts payable	5,121	6,617
Accrued payroll and related liabilities	472	443
Compensated absences	477	494
Interest payable	45,076	47,267
Escrow deposits	528	585
Prepayments on mortgage loans	1,662	1,862
Notes payable (Note 4)	3,250	-
Bonds payable (Note 4)	83,035	128,200
Total current liabilities	150,534	193,765
Noncurrent liabilities:		
Notes payable (Note 4)	-	3,672
Bonds payable (Note 4)	2,057,451	2,188,548
Compensated absences	517	451
Net OPEB obligation (Note 9)	994	794
Escrow deposits	4,248	4,393
Arbitrage rebate payable	1,217	4,547
Total noncurrent liabilities	2,064,427	2,202,405
Total liabilities	2,214,961	2,396,170
NET ASSETS		
Invested in capital assets	157	79
Restricted for single family bond programs (Note 5 and Note 7)	504,874	504,955
Restricted for grant programs (Note 5)	9,560	6,274
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,154
Unrestricted (Note 7)	2,212	4,300
Total net assets	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
OPERATING REVENUES		
Mortgage interest income	$ 119,406	$ 118,572
Investment income:		
Interest	11,042	12,846
Net increase (decrease) in the fair value of investments	(4,886)	1,671
Federal grant administration fees	13,916	15,136
Fees and other income	3,125	2,452
Total operating revenues	142,603	150,677
OPERATING EXPENSES		
Salaries and benefits	15,190	13,841
Contractual services	2,625	3,315
Materials and supplies	226	321
Rentals and insurance	97	90
Other administrative expenses	465	502
Other program expenses	11,878	6,433
Interest expense	88,301	93,154
Mortgage service fees	7,601	7,394
Issuance costs	730	723
Depreciation	93	58
Total operating expenses	127,206	125,831
Operating income	15,397	24,846
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	355,754	253,712
Other grants revenue	-	705
Federal grants expenses	(355,862)	(253,605)
Local grants expenses	(14,095)	(16,869)
Total nonoperating revenues (expenses)	(14,203)	(16,057)
Change in net assets	1,194	8,789
Total net assets, July 1	518,762	509,973
Total net assets, June 30	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 352,565	$ 338,749
Receipts from federal government	14,241	15,117
Other miscellaneous receipts	3,125	2,575
Acquisition of mortgage loans	(231,061)	(344,054)
Payments to service mortgages	(7,601)	(7,394)
Payments to suppliers	(21,317)	(11,543)
Payments to federal government	(3,331)	128
Payments to employees	(15,266)	(13,422)
Net cash provided (used) by operating activities	91,355	(19,844)
Cash flows from non-capital financing activities:		
Operating grants received	363,397	245,158
Negative cash balance implicitly financed (repaid)	2,616	(4,153)
Proceeds from sale of bonds	201,856	550,973
Proceeds from issuance of notes	-	500
Operating grants paid	(370,436)	(266,217)
Cost of issuance paid	(1,907)	(2,237)
Principal payments	(371,942)	(203,603)
Interest paid	(90,953)	(93,775)
Net cash provided (used) by non-capital financing activities	(267,369)	226,646
Cash flows from capital and related financing activities:		
Purchases of capital assets	(172)	(108)
Net cash (used) by capital and related financing activities	(172)	(108)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	282,923	450,136
Purchases of investments	(311,750)	(309,431)
Investment interest received	11,000	13,557
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	130	91
Net cash provided (used) by investing activities	(17,697)	154,353
Net increase (decrease) in cash and cash equivalents	(193,883)	361,047
Cash and cash equivalents, July 1	504,456	143,409
Cash and cash equivalents, June 30	$ 310,573	$ 504,456

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Reconciliation of operating income to		
net cash provided (used) by operating activities:		
Operating income	$ 15,397	$ 24,846
Adjustments to reconcile operating income to		
net cash provided (used) by operating activities:		
Depreciation and amortization	823	781
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,716	(7,506)
(Increase) decrease in mortgage interest receivable	352	(269)
(Increase) in first mortgage loans receivable	(3,854)	(116,213)
(Increase) decrease in due from federal government	325	(19)
(Increase) in deferred charges	(4,076)	(2,237)
Decrease in other receivables	-	123
Increase (decrease) in accounts payable	(1,420)	533
Increase in accrued payroll / compensated absences	278	116
(Decrease) in deferred revenue	-	(37)
Increase (decrease) in arbitrage rebate liability	(3,331)	1,401
Investment income included as operating revenue	(6,156)	(14,517)
Interest expense included as operating expense	88,301	93,154
Total adjustments	75,958	(44,690)
Net cash provided (used) by operating activities	$ 91,355	$ (19,844)
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ (3,643)	$ 3,789
Total noncash investing, capital, and financing activities	$ (3,643)	$ 3,789

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both

restricted and unrestricted resources are available for use, generally it is the agency's policy to use the restricted resources first.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the New Issue Bond Program (NIBP) 2009-B escrowed bond investments.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

The NIBP 2009-B escrowed bond investments are restricted for use in the 2009 resolution. These invested funds are restricted to be released, converted and blended with market rate bonds.

f. Bond Issuance Costs and Refunding Costs

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond Refunding Costs: The agency amortizes bond refunding costs using the straight-line method. Bonds payable is reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments

include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2011, the bank balance was $6,806,625. At June 30, 2010, the bank balance was $4,327,770. All bank balances at June 30, 2011 were insured, except the Bank of New York Mellon (BNYM) accounts. All bank balances at June 30, 2010 were insured. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2011, $4,304,256

was in the BNYM. Of this amount, $4,054,256 was above the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.tn.gov/treasury.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2011		**June 30, 2010**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$146,532,606	2.052	$110,758,327	1.464
U.S. Agency Discount	0	N/A	40,000,000	0.000
U.S. Treasury Coupon	89,252,190	5.248	91,214,027	5.898
U.S. Treasury Discount	94,789,957	0.073	214,769,030	0.000
Total	$330,574,753	1.803	$456,741,384	1.030

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.6875 of par on April 17, 2009. Although these securities were scheduled to mature on April 17, 2024, these bonds were called on July 17, 2010. The fair value of these securities on June 30, 2010, was $2,001,594 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,865,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on November 12, 2009. Although these securities were scheduled to mature on November 12, 2024, these bonds were called on August 12, 2010. The fair value of these securities on June 30, 2010, was $1,871,995 which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 6, 2010. Although these securities were scheduled to mature on January 6, 2025, these bonds were called on July 6, 2010. The fair value of these securities on June 30, 2010, was $5,001,563 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.50 of par on January 28, 2010. Although these securities were scheduled to mature on January 28, 2025, these bonds were called on January 28, 2011. The fair value of these securities on June 30, 2010, was $2,532,933 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 27, 2010. Although these securities were scheduled to mature on November 27, 2015, these bonds were called on December 23, 2010. The fair value of these securities on June 30, 2010, was $1,011,875 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.75 of par on August 26, 2010, and mature on August 26, 2022. The fair value of these securities on June 30, 2011, is $1,490,622 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.25% on August 26, 2013, to 3.5% on August 26, 2016, to 4.0% on August 26, 2019, to 6.0% on August 26, 2020, and to 8.0% on August 26, 2021. This investment is callable quarterly beginning on August 26, 2011, and ending on November 26, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.73 of par on September 30, 2010, and mature on September 30, 2015. The fair value of these securities on June 30, 2011, is $2,004,608 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.125% with a step-up option to 2.5% on September 30, 2012. This investment is callable quarterly beginning on March 30, 2011, and ending on September 30, 2012.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on September 29, 2010, and mature on September 29, 2025. The fair value of these securities on June 30, 2011, is $1,998,572 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on September 29, 2011, to 3.0% on September 29, 2012 and to 6.0% on September 29, 2013. This investment is callable quarterly beginning on December 29, 2010, and ending on December 29, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.55 of par on August 4, 2010, and mature on August 4, 2025. The fair value of these securities on June 30, 2011, is $1,971,350 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.5% on August 4, 2013, to 4.0% on August 4, 2016, to 5.0% on August 4, 2019, to 6.0% on August 4, 2021, to 7.0% on August 4, 2023, and to 8.0% on August 4, 2024. This investment is callable quarterly beginning on February 4, 2011 and ending on February 4, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on September 30, 2010, and mature on September 30, 2020. The fair value of these securities on June 30, 2011, is $2,007,976 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.5% on March 31, 2011, and to 4.0% on September 30, 2011. This investment is callable quarterly beginning on March 30, 2011 and ending on December 20, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on October 15, 2010, and mature on October 15, 2025. The fair value of these securities on June 30, 2011, is $2,000,916 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on October 15, 2011, to 5.0% on October 15, 2015, and to 6.0% on October 15, 2020. This investment is callable quarterly beginning on April 15, 2011 and ending on July 15, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on January 28, 2026. The fair value of these securities on June 30, 2011, is $2,996,115 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 5.0% on January 28, 2013, and to 6.0% on January 28, 2016. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 9, 2011, and mature on February 9, 2021. The fair value of these securities on June 30, 2011, is $3,003,411 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on February 9, 2013. This investment is callable quarterly beginning on August 9, 2011 and ending on November 9, 2013.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on July 28, 2016. The fair value of these securities on June 30, 2011, is $1,001,257 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on January 28, 2014. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 16, 2011, and mature on February 16, 2021. The fair value of these securities on June 30, 2011, is $4,004,460 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 4.0% on August 16, 2011, and to 6.0% on February 16, 2016. This investment is callable quarterly beginning on August 16, 2011 and ending on February 16, 2014.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.60 of par on June 17, 2011, and mature on December 17, 2025. The fair value of these securities on June 30, 2011, is $977,172 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.75% with a step-up option to 4.0% on December 17, 2015, to 4.25% on December 17, 2019, to 4.5% on December 17, 2021, to 5.0% on December 17, 2022, to 6.0% on December 17, 2023, and to 8.0% on December 17, 2024. This investment is callable quarterly beginning on September 17, 2011 and ending on December 17, 2013.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 30, 2011, and mature on June 30, 2016. The fair value of these securities on June 30, 2011, is $3,965,880 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.375% with a step-up option to 1.75% on June 30, 2013, to 2.0% on June 30, 2014, to 2.5% on December 30, 2014, to 3.0% on June 30, 2015, to 4.0% on September 30, 2015, to 5.0% on December 30, 2015, and to 6.0% on March 30, 2016. This investment is callable quarterly beginning on September 30, 2011 and ending on December 30, 2013.

The agency purchased $3,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.92 of par on May 6, 2011, and mature on July 14, 2015. The fair value of these securities on June 30, 2011, is $3,500,522 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on July 14, 2011, to 3.0% on July 14, 2012, to 4.0% on July 14, 2013, and to 5.0% on July 14, 2014. This investment is callable quarterly beginning on July 14, 2011 and ending on July 14, 2014.

The agency purchased $2,150,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on April 27, 2011, and mature on April 27, 2026. The fair value of these securities on June 30, 2011, is $2,166,542 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.5% with a step-up option to 6.0% on April 27, 2013. This investment is callable quarterly beginning on July 27, 2011 and ending on October 27, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.75 of par on May 18, 2011, and mature on May 18, 2026. The fair value of these securities on June 30, 2011, is $2,005,234 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on May 18, 2013. This investment is callable quarterly beginning on May 18, 2012 and ending on November 18, 2014.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2011 and June 30, 2010 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2011					
		U.S.	**Credit Quality Rating**		
Investment Type	**Fair Value**	**Treasury / Agency[1]**	**AAA**	**AA-2**	**Not Rated[3]**
U.S. Agency Coupon	$146,532,606		$140,738,006	$5,176,721	$617,879
U.S. Treasury Coupon	89,252,190	$89,252,190			
U.S. Treasury Discount	94,789,957	94,789,957			
Repurchase Agreements	100,000,000				100,000,000
Total	$430,574,753	$184,042,147	$140,738,006	$5,176,721	$100,617,879

June 30, 2010						
		U.S.	**Credit Quality Rating**			
Investment Type	**Fair Value**	**Treasury / Agency[1]**	**AAA**	**AA-2**	**A-1+[2]**	**Not Rated[3]**
U.S. Agency Coupon	$110,758,327		$104,877,194	$5,226,172		$654,961
U.S. Agency Discount	40,000,000				$40,000,000	
U.S. Treasury Coupon	91,214,027	$91,214,027				
U.S. Treasury Discount	214,769,030	214,769,030				
Repurchase Agreements	124,000,000					124,000,000
Total	$580,741,384	$305,983,057	$104,877,194	$5,226,172	$40,000,000	$124,654,961

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2011		June 30, 2010	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$24,769,777	5.75	$51,165,877	8.81
Federal Home Loan Mortgage Corp	$32,375,496	7.52	N/A	N/A
Federal National Mortgage Assoc	$75,255,894	17.48	$73,222,727	12.61
Repurchase Agreements – Morgan Stanley Dean Witter	$60,000,000	13.93	$101,000,000	17.39
Repurchase Agreements – UBS	$40,000,000	9.29	$23,000,000	3.96

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. As stated in GASB Statement 40, these are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are primarily for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$75,280	$93,060
Less: Deferred Amount on Refundings				(2,579)	(2,730)
Net Mortgage Finance Program Bonds				$72,701	$90,330

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
1996-5	7/1/99-7/1/2028	$60,000	3.85 to 5.75	$ -0-	$17,480
1997-1	7/1/99-7/1/2028	57,885	4.00 to 5.40	-0-	17,285
1997-2	7/1/2000-7/1/2029	50,000	3.20 to 5.20	-0-	11,450
1998-1	7/1/2001-7/1/2030	50,000	3.95 to 5.40	-0-	11,885
1998-2	7/1/2000-7/1/2029	30,000	4.00 to 5.375	-0-	5,625
1998-3	7/1/2000-7/1/2031	80,000	3.70 to 6.15	-0-	13,355
1999-1	7/1/2001-7/1/2031	41,000	3.95 to 6.25	-0-	5,850
1999-2	7/1/2001-7/1/2031	150,000	4.25 to 5.70	-0-	17,150
2000-2	7/1/2001-7/1/2031	110,000	5.00 to 7.93	-0-	16,290
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	56,585	61,045
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	17,840	21,255
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	16,145	19,855
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	24,950	29,115
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	28,420	33,865
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	19,965	23,145
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	28,265	32,615
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	32,995	38,555
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	39,750	46,495
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	51,950	60,715
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	55,070	64,665
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	63,655	72,745
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	62,830	75,235
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	66,840	79,910
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	62,950	76,240
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	70,720	83,515
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	75,135	87,615

BONDS ISSUED AND OUTSTANDING

(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	94,160	107,360
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	114,055	131,330
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	118,230	135,560
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	47,050	53,810
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	37,405	45,040
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	68,525	82,595
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	21,185	29,390
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	46,795	49,450
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	70,085	75,000
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	115,295	-0-
Total Homeownership Program Bonds		$3,019,555		$1,506,850	$1,732,490
Plus: Unamortized Bond Premiums				15,315	21,689
Less: Deferred Amount on Refundings				(3,387)	(3,086)
Net Homeownership Program Bonds				$1,518,778	1,751,093

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.900 to 4.625	$97,540	$100,000
2009-B	7/1/2041	300,000	Variable	94,710	214,710
2010-A	1/1/2011-7/1/2041	74,710	0.600 to 5.0	155,435	160,000
2010-B	7/1/2011–7/1/2041	40,000	0.45 to 4.50	99,625	-0-
2011-A	7/1/2011-7/1/2041	40,000	0.45 to 4.50	100,000	-0-
Total Housing Finance Program Bonds		$554,710		$547,310	$474,710
Plus: Unamortized Bond Premiums				1,805	730
Less: Deferred Amount on Refundings				(108)	(115)
Net Housing Finance Program Bonds				$549,007	$475,325
Net Total All Issues				$2,140,486	$2,316,748

The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA may release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The interest rate on the 2009-B bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2011 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2012	$78,021	$90,083	$168,104
2013	50,000	89,091	139,091
2014	50,865	87,530	138,395
2015	51,550	85,803	137,353
2016	53,635	83,911	137,546
2017 – 2021	231,488	389,628	621,116
2022 – 2026	332,608	333,122	665,730
2027 – 2031	245,998	257,470	503,468
2032 – 2036	320,252	196,089	516,341
2037 – 2041	432,373	84,174	516,547
2042	299,770	3,743	303,513
Total	$2,146,560	$1,700,644	$3,847,204

The debt principal in the preceding table is $6,074,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the year ended June 30, 2011, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $12,260,000, in the Homeownership Program in the amount of $317,390,000 and in the Housing Finance Program in the amount of $5,780,000. The respective carrying values of the bonds were $12,214,245, $321,059,321 and $5,768,558. This resulted in an expense to the Mortgage Finance Program of $45,755 and to the Housing Finance Program of $11,442 and in income to the Homeownership Program of $3,669,321.

On October 13, 2010, the agency issued $120,700,000 in Homeownership Program Bonds, Issue 2010-1. On November 1, 2010, the agency used $99,835,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $99,835,000 early redemption). The carrying amount of these bonds was $99,371,651. The refunding resulted in a difference of $463,349 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $22,227,781 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $10,476,679.

During the year ended June 30, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $168,625,000. The respective carrying values of the bonds were $10,651,667 and

$170,939,715. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,314,715.

On June 17, 2010, the agency issued $74,710,000 in Housing Finance Program Bonds, Issue 2010-A. On June 17, 2010, the agency used $20,595,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $20,595,000 early redemption). The carrying amount of these bonds was $20,478,986. The refunding resulted in a difference of $116,014 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $5,910,703 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,812,047.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2011.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
Notes Payable	$3,672	$-0-	($422)	$3,250	$3,250
Bonds Payable	2,300,260	200,700	(371,520)	2,129,440	83,035
Plus: Unamortized Bond Premiums	22,419	1,156	(6,455)	17,120	-0-
Less: Deferred Amount on Refundings	(5,931)	(1,099)	956	(6,074)	-0-
Compensated Absences	945	66	(17)	994	477
Net OPEB Obligation	794	200	(-0-)	994	-0-
Escrow Deposits	4,978	903	(1,105)	4,776	528
Arbitrage Rebate Payable	4,547	2,552	(5,882)	1,217	-0-
Deferred Revenue	-0-	1,231	(1,231)	-0-	-0-
Total	$2,331,684	$205,709	($385,676)	$2,151,717	$87,290

The following table is a summary of the long-term liability activity for the year ended June 30, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Notes Payable	$3,250	$500	($78)	$3,672	$-0-
Bonds Payable	1,954,075	549,710	(203,525)	2,300,260	128,200
Plus: Unamortized Bond Premiums	25,377	1,263	(4,221)	22,419	-0-
Less: Deferred Amount on Refundings	(6,891)	(125)	1,085	(5,931)	-0-
Compensated Absences	1,072	117	(244)	945	494
Net OPEB Obligation	602	235	(43)	794	-0-
Escrow Deposits	4,884	4,535	(4,441)	4,978	585
Arbitrage Rebate Payable	3,146	2,043	(642)	4,547	-0-
Deferred Revenue	37	76	(113)	-0-	-0-
Total	$1,985,552	$558,354	($212,222)	$2,331,684	$129,279

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provided temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2009, after which the notes were to be available to reissue. Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency was allowed to hold its outstanding notes purchased from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2010; however, the notes matured on August 12, 2010. In accordance with the Financial Accounting Standards Board Statement 76 Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 at 3% for the Preserve Loan Program, which is part of the Housing Trust

Fund. Principal and interest are paid monthly with the principal maturing on August 4, 2012, however the note was paid off on June 17, 2011.

The activity of the promissory note is also included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state’s website at www.tn.gov/treasury/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS’ Board of Trustees. The agency’s contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were $1,585,654, $1,295,272, and $1,201,303. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2011, and June 30, 2010, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated,* Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated,* Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-101. In previous fiscal years, prior to reaching the age of 65 all members had the option of choosing a preferred

provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2011, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy. The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; 25 years, $37.50; and 20 years, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2011	June 30, 2010
Annual Required Contribution (ARC)	$358	$351
Interest on the Net OPEB Obligation	36	25
Adjustment to the ARC	(34)	(24)
Annual OPEB cost	360	352
Amount of contribution	(160)	(160)
Increase in Net OPEB Obligation	200	192
Net OPEB obligation-beginning of year	794	602
Net OPEB obligation-end of year	$994	$794

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2009	State Employee Group Plan	$ 449	29%	$ 602
6/30/2010	State Employee Group Plan	$ 352	45%	$ 794
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2010, was as follows (Thousands):

Actuarial valuation date	7/01/2010
Actuarial accrued liability (AAL)	$ 3,316
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 3,316
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 8,640
UAAL as a percentage of covered payroll	38%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2010, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent for fiscal year 2011. The rate decreased to 9.5 percent for fiscal year 2012 and then reduced by decrements of .5 percent per year to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2011, the State of Tennessee made payments of $3,525 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2010, made payments of $2,657. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2011	Mortgage Finance Program	$ 3,085,000
	Homeownership Program	$46,515,000
	Housing Finance Program	$ 2,580,000
	Total	$52,180,000

b. On August 5, 2011, Standard and Poor's (S&P) downgraded its rating on U.S. long term debt from AAA to AA+. On August 8, 2011, S&P downgraded Fannie Mae, Freddie Mac and the 10 Federal Home Loan Banks (FHLBs) from an AAA rating to AA+.

c. Housing Finance Program Bonds, Issue 2011-B, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-B	7/1/2012-1/1/2028	$40,000	0.250 to 4.500
TOTAL ALL ISSUES		$40,000	

d. Housing Finance Program Bonds, Issue 2009-B, Subseries B-4, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-4	7/1/2041	$60,000	2.92
TOTAL ALL ISSUES		$60,000	

e. Housing Finance Program Bonds, Issue 2011-C, were authorized by the Board of directors on September 27, 2011, not to exceed $65,290,000.

f. Housing Finance Program Bonds, Issue 2009-B, Subseries B-5, were authorized by the Board of directors on September 27, 2011, not to exceed $34,710,000.

g. Homeownership Program Bonds, Issue 2011-1, were authorized by the Board of directors on September 27, 2011, not to exceed $150,000,000.

h. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

October 1, 2011	Mortgage Finance Program	$ 3,530,000
	Homeownership Program	$49,400,000
	Housing Finance Program	$ 4,420,000
	Total	$57,350,000

Note 13. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF INDEPENDENT AUDITOR'S REPORT

a. Housing Finance Program Bonds, Issue 2011-C, were sold on November 3, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-C	1/1/2012-1/1/2028	$65,290	0.400 to 4.300
TOTAL ALL ISSUES		$65,290	

b. Housing Finance Program Bonds, Issue 2009-B, Subseries B-5, were sold on November 3, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-5	7/1/2041	$34,710	2.470
TOTAL ALL ISSUES		$34,710	

c. Homeownership Program Bonds, Issue 2011-1, were sold on December 1, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-1	7/1/2012-7/1/2042	$141,255	0.600 to 4.650
TOTAL ALL ISSUES		$141,255	

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2012	Mortgage Finance Program	$ 3,280,000
	Homeownership Program	$185,650,000
	Housing Finance Program	$ 5,695,000
	Total	$194,625,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

April 1, 2012	Mortgage Finance Program	$ 3,985,000
	Homeownership Program	$ 53,555,000
	Housing Finance Program	$ 7,995,000
	Total	$ 65,535,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	State Employee Group Plan	$ -0-	$ 3,902	$ 3,902	0%	$ 9,595	41%
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%

Exhibit A

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,887	$ 27,904	$ 145,552	$ 27,728	$ -	$ 203,071
Receivables:						
Accounts	3	910	21,749	1,088	-	23,750
Interest	74	1,007	9,670	2,103	-	12,854
First mortgage loans	9	5,274	36,755	7,909	-	49,947
Due from federal government	14,807	-	-	-	-	14,807
Due from other funds	2,180	1,400	-	-	-	3,580
Total current assets	18,960	36,495	213,726	38,828	-	308,009
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	4,300	675	7,708	94,819	-	107,502
Investments	-	16,799	165,177	14,952	-	196,928
Investment Interest receivable	-	152	1,966	143	-	2,261
Investments	-	16,077	18,262	4,518	-	38,857
First mortgage loans receivable	1,527	141,770	1,490,872	435,304	-	2,069,473
Deferred charges	1	354	9,621	2,351	-	12,327
Advance to local government	2,983	-	-	-	-	2,983
Capital assets:						
Furniture and equipment	517	-	-	-	-	517
Less accumulated depreciation	(360)	-	-	-	-	(360)
Total noncurrent assets	8,968	175,827	1,693,606	552,087	-	2,430,488
Total assets	27,928	212,322	1,907,332	590,915	-	2,738,497
LIABILITIES						
Current liabilities:						
Warrants / wires payable	10,913	-	-	-	-	10,913
Accounts payable	5,024	7	67	23	-	5,121
Accrued payroll and related liabilities	472	-	-	-	-	472
Compensated absences	477	-	-	-	-	477
Interest payable	-	1,887	36,096	7,093	-	45,076
Escrow deposits	-	528	-	-	-	528
Prepayments on mortgage loans	-	92	1,190	380	-	1,662
Due to other funds	471	2,052	1,057	-	-	3,580
Notes payable	3,250	-	-	-	-	3,250
Bonds payable	-	5,625	70,245	7,165	-	83,035
Total current liabilities	20,607	10,191	108,655	14,661	-	154,114
Noncurrent liabilities:						
Bonds payable	-	67,076	1,448,532	541,843	-	2,057,451
Compensated absences	517	-	-	-	-	517
Net OPEB obligation	994	-	-	-	-	994
Escrow deposits	271	3,977	-	-	-	4,248
Arbitrage rebate payable	-	-	1,217	-	-	1,217
Total noncurrent liabilities	1,782	71,053	1,449,749	541,843	-	2,064,427
Total liabilities	22,389	81,244	1,558,404	556,504	-	2,218,541
NET ASSETS						
Invested in capital assets	157	-	-	-	-	157
Restricted for single family bond programs	-	121,535	348,928	34,411	-	504,874
Restricted for grant programs	17	9,543	-	-	-	9,560
Restricted for Homebuyers Revolving Loan Prograr	3,153	-	-	-	-	3,153
Unrestricted	2,212	-	-	-	-	2,212
Total net assets	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
OPERATING REVENUES						
Mortgage interest income	$ 76	$ 7,073	$ 93,952	$ 18,305	$ -	$ 119,406
Investment income:						
Interest	(81)	1,387	9,235	501	-	11,042
Net (decrease) in the fair value of investments	-	(573)	(4,118)	(195)	-	(4,886)
Federal grant administration fees	13,916	-	-	-	-	13,916
Fees and other income	3,031	94	-	-	-	3,125
Total operating revenues	16,942	7,981	99,069	18,611	-	142,603
OPERATING EXPENSES						
Salaries and benefits	15,190	-	-	-	-	15,190
Contractual services	2,625	-	-	-	-	2,625
Materials and supplies	226	-	-	-	-	226
Rentals and insurance	97	-	-	-	-	97
Other administrative expenses	465	-	-	-	-	465
Other program expenses	1,124	4,460	6,215	81	(2)	11,878
Interest expense	111	4,226	72,065	11,899	-	88,301
Mortgage service fees	-	454	5,918	1,229	-	7,601
Issuance costs	-	38	621	71	-	730
Depreciation	93	-	-	-	-	93
Total operating expenses	19,931	9,178	84,819	13,280	(2)	127,206
Operating income (loss)	(2,989)	(1,197)	14,250	5,331	2	15,397
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	355,482	272	-	-	-	355,754
Federal grants expenses	(355,379)	(483)	-	-	-	(355,862)
Local grants expenses	(485)	(5,733)	(7,877)	-	-	(14,095)
Total nonoperating revenues (expenses)	(382)	(5,944)	(7,877)	-	-	(14,203)
Income (loss) before transfers	(3,371)	(7,141)	6,373	5,331	2	1,194
Transfers (to) other funds	-	-	(15,545)	-	(8)	(15,553)
Transfers from other funds	1,175	7,379	-	6,999	-	15,553
Change in net assets	(2,196)	238	(9,172)	12,330	(6)	1,194
Total net assets, July 1	7,735	130,840	358,100	22,081	6	518,762
Total net assets, June 30	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Cash flows from operating activities:						
Receipts from customers	$ -	$ 23,424	$ 300,712	$ 28,429	$ -	$ 352,565
Receipts from federal government	14,241	-	-	-	-	14,241
Receipts from other funds	-	1,972	1,057	-	-	3,029
Other miscellaneous receipts	3,031	94	-	-	-	3,125
Acquisition of mortgage loans	-	(9,315)	(2,150)	(219,596)	-	(231,061)
Payments to service mortgages	-	(454)	(5,918)	(1,229)	-	(7,601)
Payments to suppliers	(6,476)	(4,429)	(10,359)	(55)	2	(21,317)
Payments to federal government	-	-	(3,054)	(199)	(78)	(3,331)
Payments to other funds	(3,029)	-	-	-	-	(3,029)
Payments to employees	(15,266)	-	-	-	-	(15,266)
Net cash provided (used) by operating activities	(7,499)	11,292	280,288	(192,650)	(76)	91,355
Cash flows from non-capital financing activities:						
Operating grants received	363,125	272	-	-	-	363,397
Transfers in (out)	1,175	7,379	(15,545)	6,999	(8)	-
Negative cash balance implicitly financed (repaid)	2,616	-	-	-	-	2,616
Proceeds from sale of bonds	-	-	120,700	81,156	-	201,856
Operating grants paid	(356,343)	(6,216)	(7,877)	-	-	(370,436)
Cost of issuance paid	-	-	(989)	(918)	-	(1,907)
Principal payments	(422)	(17,780)	(346,340)	(7,400)	-	(371,942)
Interest paid	(111)	(4,481)	(79,360)	(7,001)	-	(90,953)
Net cash provided (used) by non-capital financing activities	10,040	(20,826)	(329,411)	72,836	(8)	(267,369)
Cash flows from capital and related financing activities:						
Purchases of capital assets	(172)	-	-	-	-	(172)
Net cash (used) by capital and related financing activities	(172)	-	-	-	-	(172)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	63,883	201,160	25,026	-	290,069
Purchases of investments	-	(63,317)	(218,284)	(37,295)	-	(318,896)
Investment interest received	44	1,408	9,095	453	-	11,000
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	1	16	113	-	130
Net cash provided (used) by investing activities	44	1,975	(8,013)	(11,703)	-	(17,697)
Net increase (decrease) in cash and cash equivalents	2,413	(7,559)	(57,136)	(131,517)	(84)	(193,883)
Cash and cash equivalents, July 1	3,774	36,138	210,396	254,064	84	504,456
Cash and cash equivalents, June 30	$ 6,187	$ 28,579	$ 153,260	$ 122,547	$ -	$ 310,573

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (2,989)	$ (1,197)	$ 14,250	$ 5,331	$ 2	$ 15,397
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	93	38	621	71	-	823
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	587	4,577	(448)	-	4,716
(Increase) decrease in mortgage interest receivable	(74)	179	1,480	(1,233)	-	352
(Increase) decrease in first mortgage loans receivable	(1,307)	6,507	198,892	(207,946)	-	(3,854)
Decrease in due from federal government	325	-	-	-	-	325
(Increase) decrease in deferred charges	-	46	(4,133)	11	-	(4,076)
Decrease in interfund receivables	-	1,972	1,057	-	-	3,029
(Decrease) in interfund payables	(3,029)	-	-	-	-	(3,029)
Increase (decrease) in accounts payable	(988)	(252)	(350)	170	-	(1,420)
Increase in accrued payroll / compensated absences	278	-	-	-	-	278
(Decrease) in arbitrage rebate liability	-	-	(3,054)	(199)	(78)	(3,331)
Investment income included as operating revenue	81	(814)	(5,117)	(306)	-	(6,156)
Interest expense included as operating expense	111	4,226	72,065	11,899	-	88,301
Total adjustments	(4,510)	12,489	266,038	(197,981)	(78)	75,958
Net cash provided (used) by operating activities	$ (7,499)	$ 11,292	$ 280,288	$ (192,650)	$ (76)	$ 91,355
Noncash investing, capital, and financing activities:						
(Decrease) in fair value of investments	-	(303)	(3,135)	(205)	-	(3,643)
Total noncash investing, capital, and financing activities	$ -	$ (303)	$ (3,135)	$ (205)	$ -	$ (3,643)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
JUNE 30, 2011
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,162	$ 17,660	$ 27,822	$ 82	$ 27,904
Receivables:					
Accounts	343	562	905	5	910
Interest	825	156	981	26	1,007
First mortgage loans	4,897	377	5,274	-	5,274
Due from other funds	-	1,400	1,400	-	1,400
Total current assets	16,227	20,155	36,382	113	36,495
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	675	-	675	-	675
Investments	16,799	-	16,799	-	16,799
Investment interest receivable	152	-	152	-	152
Investments	617	12,411	13,028	3,049	16,077
First mortgage loans receivable	139,269	2,501	141,770	-	141,770
Deferred charges	354	-	354	-	354
Total noncurrent assets	157,866	14,912	172,778	3,049	175,827
Total assets	174,093	35,067	209,160	3,162	212,322
LIABILITIES					
Current liabilities:					
Accounts payable	-	7	7	-	7
Interest payable	1,887	-	1,887	-	1,887
Escrow deposits	-	-	-	528	528
Prepayments on mortgage loans	89	3	92	-	92
Due to other funds	1,400	652	2,052	-	2,052
Bonds payable	5,625	-	5,625	-	5,625
Total current liabilities	9,001	662	9,663	528	10,191
Noncurrent liabilities:					
Bonds payable	67,076	-	67,076	-	67,076
Escrow deposits	-	1,538	1,538	2,439	3,977
Total noncurrent liabilities	67,076	1,538	68,614	2,439	71,053
Total liabilities	76,077	2,200	78,277	2,967	81,244
NET ASSETS					
Restricted for single family bond programs	98,016	23,324	121,340	195	121,535
Restricted for grant programs	-	9,543	9,543	-	9,543
Total net assets	$ 98,016	$ 32,867	$ 130,883	$ 195	$ 131,078

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.

** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

March 31, 2012

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET ASSETS
(Expressed in Thousands)
(Unaudited)

	March 31, 2012 (with comparative totals as of March 31, 2011)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
ASSETS						
Current assets:						
Cash and cash equivalents	$ -	$ 17,594	$ 121,389	$ 58,316	$ 197,299	$ 303,613
Investments	-	588	2,176	-	2,764	-
Receivables:						
Accounts	-	1,306	22,822	3,286	27,414	31,983
Interest	13	957	9,051	2,792	12,813	12,556
First mortgage loans	158	4,944	35,167	10,887	51,156	49,236
Due from federal government	7,063	-	-	-	7,063	10,991
Due from other funds	2,857	10	-	-	2,867	2,214
Total current assets	10,091	25,399	190,605	75,281	301,376	410,593
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	6,775	32	2,460	119	9,386	8,226
Investments	-	13,664	170,658	21,163	205,485	198,230
Investment interest receivable	-	237	2,434	207	2,878	3,340
Investments	-	19,660	32,436	26,804	78,900	30,308
First mortgage loans receivable	1,408	135,647	1,335,011	565,484	2,037,550	2,063,269
Deferred charges	-	301	8,660	3,373	12,334	12,543
Advance to local government	3,001	-	-	-	3,001	2,978
Capital assets:						
Furniture and equipment	517	-	-	-	517	346
Less accumulated depreciation	(360)	-	-	-	(360)	(267)
Total noncurrent assets	11,341	169,541	1,551,659	617,150	2,349,691	2,318,973
Total assets	21,432	194,940	1,742,264	692,431	2,651,067	2,729,566
LIABILITIES						
Current liabilities:						
Warrants / wires payable	8,323	-	-	-	8,323	14,596
Accounts payable	-	2	-	-	2	2
Compensated absences	518	-	-	-	518	494
Interest payable	-	825	16,220	5,898	22,943	21,474
Escrow deposits	-	461	-	-	461	502
Prepayments on mortgage loans	-	7	1,108	401	1,516	1,819
Due to other funds	-	-	2,867	-	2,867	2,214
Bonds payable	-	7,320	84,660	18,480	110,460	107,005
Total current liabilities	8,841	8,615	104,855	24,779	147,090	148,106
Noncurrent liabilities:						
Notes payable	-	-	-	-	-	3,591
Bonds payable	-	55,600	1,292,571	623,579	1,971,750	2,056,683
Compensated absences	547	-	-	-	547	451
Net OPEB obligation	1,029	-	-	-	1,029	794
Escrow deposits	292	3,353	-	-	3,645	4,196
Arbitrage rebate payable	-	-	-	-	-	434
Total noncurrent liabilities	1,868	58,953	1,292,571	623,579	1,976,971	2,066,149
Total liabilities	10,709	67,568	1,397,426	648,358	2,124,061	2,214,255
NET ASSETS						
Invested in capital assets	157	-	-	-	157	79
Restricted for single family bond programs	-	119,230	344,837	44,073	508,140	500,982
Restricted for grant programs	-	8,142	-	-	8,142	11,096
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154	3,154
Unrestricted	7,410	2	-	-	7,412	-
Total net assets	$ 10,721	$ 127,374	$ 344,837	$ 44,073	$ 527,005	$ 515,311

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Expressed in Thousands)
(Unaudited)

	For the Nine Months Ended March 31, 2012 (with comparative totals as of March 31, 2011)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
OPERATING REVENUES						
Mortgage interest income	$ -	$ 4,806	$ 63,298	$ 19,691	$ 87,795	$ 90,440
Investment income:						
Interest	4	982	6,819	912	8,717	8,275
Net increase (decrease) in the fair value of investments	-	(161)	552	(251)	140	(6,633)
Federal grant administration fees	11,061	-	-	-	11,061	8,298
Fees and other income	2,702	203	-	-	2,905	2,134
Total operating revenues	13,767	5,830	70,669	20,352	110,618	102,514
OPERATING EXPENSES						
Salaries and benefits	11,634	-	-	-	11,634	11,071
Contractual services	1,734	-	-	-	1,734	1,688
Materials and supplies	132	-	-	-	132	159
Rentals and insurance	75	-	-	-	75	47
Other administrative expenses	330	-	-	-	330	347
Other program expenses	733	3,337	4,648	167	8,885	8,794
Interest expense	50	2,740	49,788	14,911	67,489	65,762
Mortgage service fees	-	324	3,990	1,373	5,687	5,725
Issuance costs	-	24	437	90	551	529
Total operating expenses	14,688	6,425	58,863	16,541	96,517	94,122
Operating income (loss)	(921)	(595)	11,806	3,811	14,101	8,392
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	202,538	917	-	-	203,455	277,776
Federal grants expenses	(199,649)	(1,022)	-	-	(200,671)	(279,243)
Local grants expenses	(66)	(3,876)	(5,894)	-	(9,836)	(10,376)
Total nonoperating revenues (expenses)	2,823	(3,981)	(5,894)	-	(7,052)	(11,843)
Income (loss) before transfers	1,902	(4,576)	5,912	3,811	7,049	(3,451)
Transfers (to) other funds	-	-	(10,003)	-	(10,003)	(42,499)
Transfers from other funds	3,280	872	-	5,851	10,003	42,499
Change in net assets	5,182	(3,704)	(4,091)	9,662	7,049	(3,451)
Total net assets, July 1	5,539	131,078	348,928	34,411	519,956	518,762
Total net assets, End of period	$ 10,721	$ 127,374	$ 344,837	$ 44,073	$ 527,005	$ 515,311

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2012
(with comparative totals as of March 31, 2011)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
Cash flows from operating activities:						
Receipts from customers	$ 37	$ 17,504	$ 224,462	$ 40,251	$ 282,254	$ 265,197
Receipts from federal government	11,386	-	-	-	11,386	8,298
Receipts from other funds	-	-	1,810	-	1,810	551
Other miscellaneous receipts	2,702	203	-	-	2,905	2,134
Acquisition of mortgage loans	-	(7,303)	(4,047)	(156,388)	(167,738)	(174,130)
Payments to service mortgages	-	(324)	(3,990)	(1,373)	(5,687)	(5,725)
Payments to suppliers	(3,520)	(3,313)	(5,539)	(202)	(12,574)	(16,564)
Payments to federal government	-	-	(1,216)	-	(1,216)	(4,113)
Payments to other funds	(1,148)	(662)	-	-	(1,810)	(551)
Payments to employees	(12,231)	-	-	-	(12,231)	(11,773)
Net cash provided (used) by operating activities	(2,774)	6,105	211,480	(117,712)	97,099	63,324
Cash flows from non-capital financing activities:						
Operating grants received	209,957	917	-	-	210,874	289,560
Transfers in (out)	3,280	872	(10,003)	5,851	-	-
Negative cash balance implicitly financed (repaid)	(2,590)	-	-	-	(2,590)	6,299
Proceeds from sale of bonds	-	-	142,494	105,888	248,382	161,436
Operating grants paid	(203,989)	(4,898)	(5,894)	-	(214,781)	(294,373)
Cost of issuance paid	-	-	(1,098)	(1,145)	(2,243)	(1,508)
Principal payments	(3,250)	(9,895)	(281,565)	(12,695)	(307,405)	(310,450)
Interest paid	(50)	(3,690)	(69,693)	(16,203)	(89,636)	(91,414)
Net cash provided (used) by non-capital financing activities	3,358	(16,694)	(225,759)	81,696	(157,399)	(240,450)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	36,149	144,986	80,730	261,865	240,323
Purchases of investments	-	(37,347)	(166,270)	(109,481)	(313,098)	(263,653)
Investment interest received	4	834	6,147	652	7,637	7,708
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	5	3	8	131
Net cash provided (used) by investing activities	4	(364)	(15,132)	(28,096)	(43,588)	(15,491)
Net increase (decrease) in cash and cash equivalents	588	(10,953)	(29,411)	(64,112)	(103,888)	(192,617)
Cash and cash equivalents, July 1	6,187	28,579	153,260	122,547	310,573	504,456
Cash and cash equivalents, End of period	$ 6,775	$ 17,626	$ 123,849	$ 58,435	$ 206,685	$ 311,839

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

	For the Nine Months Ended March 31, 2012 (with comparative totals as of March 31, 2011)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (921)	$ (595)	$ 11,806	$ 3,811	$ 14,101	$ 8,392
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	-	24	437	90	551	529
Changes in assets and liabilities:						
(Increase) in accounts receivable	-	(396)	(1,073)	(2,198)	(3,667)	(3,520)
(Increase) decrease in mortgage interest receivable	62	114	823	(493)	506	96
(Increase) decrease in first mortgage loans receivable	(46)	6,453	157,449	(133,158)	30,698	3,067
Decrease in due from federal government	325	-	-	-	325	-
(Increase) decrease in deferred charges	1	29	(824)	(12)	(806)	(2,619)
Decrease in interfund receivables	-	-	1,810	-	1,810	551
(Decrease) in interfund payables	(1,148)	(662)	-	-	(1,810)	(551)
(Decrease) in accounts payable	(728)	(781)	(149)	(2)	(1,660)	(2,185)
(Decrease) in accrued payroll / compensated absences	(365)	-	-	-	(365)	(443)
(Decrease) in arbitrage rebate liability	-	-	(1,216)	-	(1,216)	(4,113)
Investment (income) included as operating revenue	(4)	(821)	(7,371)	(661)	(8,857)	(1,642)
Interest expense included as operating expense	50	2,740	49,788	14,911	67,489	65,762
Total adjustments	(1,853)	6,700	199,674	(121,523)	82,998	54,932
Net cash provided (used) by operating activities	$ (2,774)	$ 6,105	$ 211,480	$ (117,712)	$ 97,099	$ 63,324
Noncash investing, capital, and financing activities:						
Increase (Decrease) in fair value of investments	-	(47)	11,234	(158)	11,029	(5,750)
Total noncash investing, capital, and financing activities	$ -	$ (47)	$ 11,234	$ (158)	$ 11,029	$ (5,750)

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank, Magna Bank and First Horizon Bank (recently purchased by Met Life) (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 80% of THDA's entire portfolio of mortgage loans. Magna Bank and Met Life, through a sub-servicing agreement with U.S. Bank, service the remainder. THDA itself is also permitted to service Program Loans although it has not done so to date. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the

event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The General Homeownership Resolution, as amended (the "General Resolution"), contains various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from THDA or the Trustee.

Definitions (Section 1.2)

"Bond" means one of the bonds authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds issued pursuant to Article II.

Debt Service Reserve Fund" means the Debt Service Reserve Fund established pursuant to Section 5.1.

"Debt Service Reserve Fund Requirement" means, as of any date of calculation the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"Fund" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but not limited to:

- All direct or fully guaranteed United States Treasury;
- Certificates of beneficial ownership issued by the Farmers Home Administration;
- Participation certificates issued by General Services Administration;
- U.S. Maritime Administration guaranteed Title XI financing;
- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;
- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);
- Local authority bonds of the United States Department of Housing and Urban Development;

- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and
- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)
- Consolidated system-wide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)
- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)
- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);
- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC) - backed issues issued by Student Loan Marketing Association (SLMA);
- Debt obligations issued by Financing Corp. (FICO);
- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least 'A-1' by S&P and 'P-1' by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least 'AA' by S&P and 'Aa' by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least 'aam' or 'AAm-G' by S&P and 'Aaa' by Moody's;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least 'AA' by S&P and 'Aa' by Moody's or commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's;

(10) Stripped securities

(i) U.S. Treasury STRIPS

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least 'AA' by S&P and 'Aa' by Moody's; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody's.

"Issuance Amount" shall mean the price, exclusive of accrued interest (if any) which is payable on a semiannual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, THDA Costs of Issuance, or similar costs.

"Loan Fund" means the Loan Fund established in Section 5.1.

"Non-Mortgage Receipts" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Resolution, but shall not include Revenues.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"Program" means the program for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"Program Expenses" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans, payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"Program Loan Loss Coverage" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"Projected Cash Flow Statement" means a certificate of an Authorized Officer of THDA setting forth for the current and each succeeding fiscal year in which Bonds are scheduled to be outstanding, THDA's estimate of, among other things: (i) the Revenues, other than Prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds; (ii) the aggregate amount of prepayments of Program Loans which THDA reasonably expects to receive with respect to such Program Loans and which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution; (iii) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rates used in

estimating such amounts; (iv) the amount, if any, expected to be withdrawn from the Debt Service Reserve Fund, provided, the amount on deposit in such Fund is expected to at least equal the Debt Service Reserve Fund Requirement immediately after such withdrawal and the withdrawal is permitted under the General Resolution; (v) the aggregate Debt Service on Outstanding Bonds during such fiscal year; and (vi) all Program Expenses during such fiscal year.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.1.

"Revenues" means all payments, proceeds, rents, charges, and other cash income received by THDA from or on account of any Program Loan including scheduled, delinquent and advance payments of any insurance proceeds with respect to principal and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicer as compensation for services rendered in connection with the Program Loan and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

Resolution Constitutes Contract (Section 2.2)

The General Resolution constitutes a contract between THDA and the holders of the Bonds and the pledges, covenants and agreements to be performed by THDA are for the equal benefit, protection and security of the holders of any and all of the Bonds..

Obligation of Bonds (Section 2.3)

The Bonds will be special limited obligations of THDA payable only from the revenues and assets pledged therefor. These revenues and assets include the following: mortgage receipts; non-mortgage receipts, including interest earned from the investment of funds in the Escrow Fund or any other Fund or Account; and right, title, and interest in and to the Program Loans.

Provisions for Issuance of Bonds (Sections 2.4, 2.6, 7.3, and 7.15)

The General Resolution authorizes Bonds to be issued from time to time in accordance with its terms without limitation as to amount except as provided by law. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(1) a Bond Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the General Resolution;

(2) the amount of the proceeds of such Series to be deposited with the Trustee pursuant to the General Resolution (see "Application of Bond Proceeds" below):

(3) except in the case of the initial or a refunding issue, a certificate of an authorized officer stating that THDA is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution and that all other conditions for the issuance of additional Bonds have been met; and

(4) except in the case of a refunding issue, a Projected Cash Flow Statement, as described in Appendix D, showing that the estimated Revenues for each fiscal year in which Bonds will be outstanding, together with any amount scheduled to be withdrawn from the Debt Service Reserve Fund (and permitted to be so withdrawn pursuant to the Resolution), will be sufficient for the payment of the estimated debt service and program expenses for such fiscal year.

Provisions for Refunding Issues (Section 2.7)

Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption of all Bonds to be refunded and to give published notice as required of the redemption of such Bonds and either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or certificates of deposit secured by such obligations, which by their terms will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in the Redemption Account established under the General Resolution.

Application of Bond Proceeds (Sections 4.1 and 4.3)

As soon as practicable upon the delivery of each Series of Bonds, other than refunding Bonds, an amount necessary to cause the amount on deposit in the Debt Service Reserve Fund to at least equal the Debt Service Reserve Fund Requirement immediately after such delivery is required to be deposited in the Debt Service Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in such Fund are to be deposited at the direction of an Authorized Officer.

Amounts in the Loan Fund may not be expended and applied for the financing of a Program Loan unless the note issued to evidence the Program Loan and a mortgage securing the Program Loan have been duly executed and, among other things:

(1) the mortgage securing such Program Loan constitutes a first lien, subject only to Permitted Encumbrances, on the real property or interest therein securing such Program Loan and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

(2) the eligible borrower has entered into a binding agreement with or for the benefit of THDA that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens levied against the premises or any part thereof, and in the case of default in the payment thereof THDA, without notice or demand to the mortgagor, may pay the same and the amount will be a lien on the premises added to the amount of the Program Loan;

(3) the eligible borrower must covenant that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of obtaining the residential housing financed by the Program Loan;

(4) the eligible borrower must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA and that it will maintain the premises in good repair and comply with all requirements of governmental authorities relating thereto; and

(5) the eligible borrower must obtain a policy of title insurance insuring THDA that the mortgage is valid and enforceable in the full amount of the Program Loan.

(6) the Program Loan must be (i) insured by the Federal Housing Administration, (ii) guaranteed by the Rural Economic Community Development Corp. (formerly Farmers Home Administration) or the Veteran’s Administration, (iii) insured or guaranteed by a successor federal or state agency, (iv) have a principal amount not exceeding 78% of the value of the property securing such Program Loan as determined in an appraisal by or acceptable to THDA, or (v) be insured to the extent of any excess over such percentage by a private mortgage insurance company acceptable to THDA and meeting the requirements of the Resolution.

Deposits and Investments (Sections 4.5, 4.6 and 4.7)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be deposited in interest-bearing time deposits, repurchase agreements or certificates of deposit or be the subject of similar banking arrangements with commercial banks, savings and loans or investment dealers and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of THDA and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Debt Service Reserve Fund Requirement at the time of initial funding from Bond proceeds, the issuance of additional obligations and for any other purpose under the General Resolution, such obligations shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made as soon as practicable prior to each interest payment date and at any other time required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

Establishment of Funds and Accounts (Section 5.1)

The General Resolution establishes the following special trust funds and accounts which are to be held by the Trustee:

(1) Loan Fund;

(2) Revenue Fund,
Debt Service and Expense Account,
Non-Mortgage Receipts Account, and
Redemption Account;

(3) Debt Service Reserve Fund; and

(4) Escrow Fund.

Loan Fund (Section 5.2)

In addition to proceeds of a Series of Bonds, amounts are required to be deposited in the Loan Fund from the Revenue Fund under certain circumstances as more fully described below (see "Revenue Fund"). Amounts in the Loan Fund may be expended only to pay the cost of financing Program Loans, to pay reasonable and necessary Costs of Issuance, and to make deposits in the Debt Service and Expense Account with respect to capitalized interest. Amounts in the Loan Fund may, however, be transferred to the Revenue Fund if a Projected Cash Flow Statement is delivered to the Trustee. At the direction of THDA, the Trustee may transfer amounts in the Loan Fund to the Redemption Account or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds are subject to redemption or payment from such amounts, but only if there is delivered to the Trustee a Projected Cash Flow Statement and a certificate of an Authorized Officer stating that, in the judgment of THDA, the estimated Revenues available after the payment of estimated Debt Service on the Bonds and Program expenses are greater than they would have been if all or a portion of such amounts had been applied to the financing of Program Loans.

Revenue Fund (Section 5.3)

The General Resolution establishes the following trust accounts within the Revenue Fund: the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account.

Debt Service and Expense Account. All Revenues are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Debt Service and Expense Account within the Revenue Fund. The Trustee is required to make payments out of the Debt Service and Expense Account to the Paying Agents as follows: (a) on or before each interest payment date, the amounts required for the payment of principal installments, if any, and interest due on the Bonds on such date and (b) on or before the Redemption Date or date of

purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless such interest is otherwise provided for.

Prior to the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee may, and if so directed by THDA is required to, apply any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) as follows: (a) to the purchase of the Bonds for which such Sinking Fund Payment was established, at prices not exceeding the Redemption Price for such Bonds if they are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, or (b) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (a) hereof. Upon such purchase or redemption of any Bond, an amount equal to the principal amount of the Bond so purchased or redeemed will be credited to the Sinking Fund Payment next coming due. The excess of the amounts so credited over the amount of such Sinking Fund Payment will be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise directed by THDA.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and Maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Within ninety days after the close of each Fiscal Year, THDA is required to file with the Trustee a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amount to the Loan Fund as provided in clause (b) of this sentence) which states (a) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments made on each interest payment date as described above and (b) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Upon receipt thereof, the Trustee is required to transfer from the Debt Service and Expense Account an amount equal to the amount stated in clause (a) above as follows:

> FIRST: From the amount so available the amount, if any, by which the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service Reserve Fund.
>
> SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.
>
> THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred and if such Projected Cash Flow Statement does not comply with subsection 7.11(C) the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).
>
> FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with THDA's tax covenants described below, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this provision shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph,

there shall be excluded from the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Debt Service Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

The Trustee may at any time, upon the written direction of an Authorized Officer (a) make transfers from the Debt Service and Expense Account to the Debt Service Reserve Fund or the Redemption Account for the purposes of such Fund or Account or (b) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer is to be made, however, unless there is on deposit in the Debt Service and Expense Account and the Non-Mortgage Receipts Account after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment, plus an amount equal to the cumulative amount of prepayments received by THDA during such fiscal year which exceeds the amount of prepayments estimated to be applied to the payment of Debt Service during such fiscal year in the most recent Projected Cash Flow Statement delivered to the Trustee by THDA. In addition no such transfers shall be made until a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses is to be made unless the revenue statement to be delivered to the Trustee for each preceding month as described below shows that accrued Revenues exceed accrued Debt Service.

No payments are required to be made into the Debt Service and Expense Account so long as the amount on deposit therein is sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any purpose of THDA free and clear of the lien of the pledge of the General Resolution.

Redemption Account. There are to be deposited in the Redemption Account any amounts required by the General Resolution to be so deposited and any other amounts available therefor and determined by THDA to be deposited therein. The Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date as described under “Redemption of Bonds.”

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds to be so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless otherwise directed by THDA.

Non-Mortgage Receipts Account. All Non-Mortgage Receipts received by the Trustee are to be promptly deposited in the Non-Mortgage Receipts Account. The Trustee is required to maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund, the Debt Service Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund. If so directed by THDA, the Trustee must maintain such records separately for each Series of Bonds.

Semi-annually not later than each Interest Payment Date, the Trustee is required to transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of such transfers, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

Any amount remaining in the Non-Mortgage Receipts Account after the semi-annual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account or the Escrow Fund.

Debt Service Reserve Fund (Section 5.4)

If on any Interest Payment Date or Redemption Date, the amounts on deposit in the Revenue Fund and the Redemption Fund are less than the amount required for the payments due on the Bonds on such date, the Trustee is to apply amounts from the Debt Service Reserve Fund to the extent required to make good the deficiency.

If concurrently with the allocation from the Revenue Fund, the amount on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement, the Trustee may, if so directed, transfer the amount of such excess to the Redemption Account.

Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Revenue Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Revenue Fund are to be transferred to the Debt Service Reserve Fund. Prior to such transfer, all investments held in the Revenue Fund are to be liquidated and any Bonds constituting a part of such Fund will be deemed paid and canceled.

Escrow Fund (Section 5.5)

There shall be deposited in the Escrow Fund, all amounts required by the Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein.

Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with the Resolution.

Redemption of Bonds (Sections 3.7, 5.3, 6.4 and 6.5)

Bonds may be redeemed from amounts on deposit in the Loan Fund or the Revenue Fund or from other amounts made available by THDA for such purpose. Amounts deposited in the Redemption Account within the Loan Fund must be applied to the redemption of Bonds at the earliest possible time, subject to their terms and the terms of their respective authorizing resolutions. If THDA directs the publication of a notice of redemption from amounts other than amounts in the Redemption Account, THDA is responsible to provide funds for such redemption to the appropriate Paying Agents prior to the date of redemption.

Amounts on deposit in the Revenue Account which are to be applied to the redemption of Bonds may, until the forty-fifth day prior to the date for redemption of such Bonds, be applied to the purchase of such Bonds at prices not exceeding the applicable redemption price, plus accrued interest, unless such Bonds are to be redeemed more than thirteen months from the date of purchase, in which event the purchase price may not exceed par. Any difference between the maximum price payable for such Bonds and the price actually paid is to be deposited in the Debt Service and Expense Account.

The selection of Bonds to be redeemed from the amounts to be applied to the redemption of Bonds of such particular Series and maturity is to be made by the Trustee by lot. For such purpose registered bonds of a denomination greater than $5,000 are to be assigned separate numbers for each $5,000 portion. In the event that the Trustee is required to redeem Appreciation Bonds by lot, the Trustee will assign a separate number to each Appreciation Bond on the basis of its Maturity Amount. The Trustee shall mail, postage prepaid, a copy of the notice of redemption not less than 20 days (or such shorter period as may be acceptable to the provider of a central depository system) prior to the date of redemption to the registered owners of all registered Bonds subject to redemption at the last address of such registered owners appearing on the registry books in respect of the Bonds. Publication of notice of redemption is not required if all Bonds to be redeemed are registered bonds. THDA is not obliged to exchange or transfer Bonds within ten days preceding the giving of notice of redemption and is not obliged to exchange or transfer any Bonds which have previously been called for redemption.

Power as to Bonds and Pledge (Section 7.3)

THDA covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the assets and revenues purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment of Bonds (Section 7.4)

THDA covenants that it will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Tax Covenants (Section 7.9)

THDA covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of THDA to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the applicable federal tax law and (ii) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by the applicable federal tax law by reason of the classification of such Bond as a "mortgage subsidy bond" pursuant to the applicable federal tax law or as an "industrial development bond" within the meaning of the applicable federal tax law, except in the case of Bonds held by a "substantial user" or "related person" within the meaning of Section 147(c) of the Code.

Accounts and Reports (Section 7.10)

THDA covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Homeownership Program and all Funds established by the General Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA is required to submit to the Trustee a statement of account for the preceding month setting forth the amount received as Revenues during such month and stating the cumulative amount of Revenues (including individual totals for prepayments and monthly Program Loan receipts) and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

THDA must annually, within ninety days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of THDA for such fiscal year setting forth in reasonable detail: (a) a balance sheet for THDA and its programs showing the assets and liabilities of the Homeownership Program at the end of such fiscal year, and (b) a statement of revenues and expenses in accordance with the categories or classifications established by THDA so long as such financial statements for the Homeownership Program are separately identified and are consistent with the requirements of the General Resolution and satisfactory to the Trustee. The financial statements shall be accompanied by the certificate of an independent accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each annual Projected Cash Flow Statement and annual report or special report and any accountant's certificate shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Budgets (Section 7.12)

THDA must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of THDA as required under the Act. The annual budget shall at least set forth for such fiscal year the estimated revenues, principal installments and interest due and payable or estimated to become due and payable during such fiscal year and

estimated expenses of the Homeownership Program. THDA at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

The Program (Section 7.13)

THDA covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Homeownership Program) to finance Program Loans, to do all acts and things necessary to receive and collect Revenues sufficient to pay the expenses of the Program and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans.

Whenever necessary in order to protect and enforce the interest and security of the holders of the Bonds, THDA covenants to commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such premises.

THDA may sell, assign or otherwise dispose of a Program Loan or the premises to which such Program Loan is related:

(1) in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to provide funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Loan; or

(3) if a Projected Cash Flow Statement has been filed with the Trustee giving effect to the proposed sale thereof.

Upon the happening of an Event of Default resulting from nonpayment of the Bonds and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA is required to deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee.

Powers of Amendment (Section 9.2)

Except with respect to certain modifications or amendments that do not require consent of bondholders as described in the General Resolution, any modification or amendment of any provision of the General Resolution or of the rights and obligations of THDA and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the General Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default (Sections 10.1 and 10.10)

It is an "event of default" if: (a) THDA shall default in the payment of the principal or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or (c) THDA fails or refuses to comply with the provisions of the General Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

The Trustee must give the Bondholders notice of each event of default known to the Trustee within ninety days, unless such event of default has been remedied or cured, except that, in the case of default in the payment of the principal of or Redemption Price or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee may withhold such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice is to be given by mail: (i) to all registered holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to such holders of Bonds as have filed their names and addresses with the Trustee for that purpose, and (iii) to such other persons as is required by law.

Remedies (Sections 10.2 and 10.3)

Upon the happening and continuance of any event of default specified in clause (a) and (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to an acceleration) shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

Except upon the occurrence and during the continuance of an Event of Default under the Resolution, THDA reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder will be deemed to be an indispensable party for such purposes.

In the event that during the continuance of an event of default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the General Resolution, are to be applied as follows:

(1) Unless the principal of all of the Bonds has become or been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount

available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bond without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Bondholders' Direction of Remedial Proceedings (Section 10.5)

The holders of a majority in principal amount of the Bonds then Outstanding retain the right, upon a written instruction, to direct the method used by the Trustee in conducting all remedial proceedings, but only if such direction is in accordance with the law and the provisions of the Resolution, and is not unjustly, prejudicial, in the Trustee's opinion, to the remaining Bondholders.

Limitation on Rights of Bondholders (Section 10.6)

No individual Bondholder may initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the same.

Compensation of Trustee and Paying Agents (Section 11.5)

THDA is required to pay reasonable compensation to the Trustee and to each Paying Agent for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the General Resolution.

Removal of Trustee (Sections 11.8 and 11.9)

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an event of default, for such cause as THDA may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance (Section 12.1)

If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution,

then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, THDA has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds, (b) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge.

APPENDIX E

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Outstanding as of May 31, 2012 (unaudited)	Original Net Interest Cost
2009-A	December 23, 2009	$100,000,000	--	$ 91,845,000	3.96%
2009-B(1)	December 23, 2009	300,000,000	--	0	(2)
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	146,225,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	96,795,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	97,475,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	99,575,000	3.01
2011-C/2009-B-5	November 3, 2011	65,290,000	34,710,000	99,995,000	3.01
TOTAL		$660,000,000	$300,000,000	$631,910,000	

(1) Portions of such Bonds were converted and redesignated as Issue 2009-B, Subseries B-1, Issue 2009-B, Subseries B-2, Issue 2009-B, Subseries B-3, Issue 2009-B, Subseries B-4, and Issue 2009-B, Subseries B-5.

(2) Variable rate, taxable.

As of May 31, 2012, 6,123 mortgage loans in the approximate aggregate principal amount of $614,189,127 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds, and will be available for the general purposes of THDA only as provided in the 2009 General Resolution).

Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $191,885,000 under the 1974 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Dated	Issued	Outstanding as of May 31, 2012 (unaudited)	Mortgage Rates	Net Interest Cost
2003 Series A	September 4, 2003	$191,885,000	$61,400,000	7.05/7.75	4.90
TOTAL		$191,885,000	$61,400,000		

As of May 31, 2012, 2,832 mortgage loans in the approximate aggregate principal amount of $136,213,992 were outstanding under the 1974 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Single Family Program Bond Resolution (the "1981 Resolution")

On February 2, 1994, THDA issued and sold Homeownership Program Bonds, Issue 1994-1 (Taxable) in the aggregate principal amount of $33,500,000 (the "Issue 1994-1 Bonds") the proceeds of which were used to redeem all bonds then outstanding under the 1981 Resolution. All assets under the 1981 Resolution, including mortgages financed with the proceeds of bonds issued under the 1981 Resolution and remaining cash and investments held for the benefit of bondholders under the 1981 Resolution, were transferred out of the 1981 Resolution at the time of the issuance and sale of the Issue 1994-1 Bonds.

While no mortgages or bonds are currently outstanding under the 1981 Resolution, THDA may, in the future, elect to issue new bonds under the 1981 Resolution. The mortgages and investments financed with the proceeds of any new bonds issued under the 1981 Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1981 Resolution.

THDA Funds

Introduction

In 1988, the General Assembly of the State amended THDA's Act to create the Assets Fund, the Housing Program Fund, the Housing Program Reserve Fund, and the HOUSE Program. The funds were created to ensure the stability of the HOUSE Program and to enhance the self-sufficiency of THDA. The Housing Program Fund, the Housing Program Reserve Fund and the HOUSE Program, as well as other activities of THDA described herein, are financially separate from THDA's bond resolutions and loan programs, including the Resolution and the Homeownership Program. See Appendix A for additional financial information. Certain actions by the General Assembly of the State of Tennessee have and may affect amounts in these funds. See "THDA - THDA Funds" for more information.

Assets Fund

The Act established the Assets Fund as a segregated fund and general asset of THDA. In 1989, THDA transferred monies and Mortgage Loans to the Assets Fund from the 1974 General Resolution; however, subsequent actions by the General Assembly resulted in the transfer of all monies in the Assets Fund to the State General Fund. THDA subsequently transferred all Mortgage Loans back to the General Fund of the 1974 General Resolution; consequently, the Assets Fund currently has a zero balance. For a description of these transfers, see "THDA – THDA Funds."

While there are no monies currently in the Assets Fund, the statutory structure of the Assets Fund remains. The statutory structure for the Assets Fund currently provides for the following:

1. Monies in the Assets Fund cannot be used for grant programs, may not be co-mingled with any proceeds of bonds issued by THDA and can be used only for the following purposes:
    a. To invest in investments permitted under State law and THDA's bond resolutions;
    b. To support rental rehabilitation programs supported by federal funds administered by THDA; and
    c. For constructions loans for housing as otherwise authorized by the Act.
2. Investment income and principal from the Assets Fund may be transferred to the Housing Program Fund in accordance with the requirements of the Act.

Housing Program Fund

The Housing Program Fund is the vehicle for funding non-mortgage programs not otherwise funded through federal programs. THDA also pays operating and administrative expenses, including certain Program Expenses of the Homeownership Program, from the Housing Program Fund. See "THDA - THDA Funds" and "ASSUMPTIONS REGARDING OFFERED BONDS - Payment of Program Expenses" for more information.

Essentially, all revenues of THDA derived from sources other than its Homeownership Program or its other bond resolutions are deposited into the Housing Program Fund. These revenues include state tax revenue, if any, and investment income. Specifically, the sources of the monies in the Housing Program Fund(1) are:

1. Investment income transferred from the Assets Fund(2);
2. Investment income from the Housing Program Fund;
3. Appropriate principal, if any, transferred from the Assets Fund(2);
4. Federal funds THDA receives for federal programs it administers; and
5. Fees charged by THDA in connection with its non-mortgage programs, including fees received from the Low Income Housing Tax Credit Program, the multi-family bond authority program and other programs.

THDA receives no funds from the State of Tennessee for operating and administrative expenses. THDA pays most operating and administrative expenses with funds available therefor in the Housing Program Fund. Although THDA is authorized to pay all expenses associated with its loan programs, including Program Expenses of the Homeownership Program, from monies held under THDA's bond resolutions, including the General Resolution, in accordance with their respective terms, THDA has elected to pay only certain expenses, such as Cost of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs from its bond resolutions. THDA currently expects to continue to pay Program Expenses (other than Cost of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and all other THDA operating and administrative costs and expenses from the Housing Program Fund to the extent possible. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses, and THDA may elect, in the future, to pay some or all additional Program Expenses from the Resolution. See "THDA - THDA Funds" for more information.

In addition to paying THDA operating and administrative expenses, monies in the Housing Program Fund can be used to (i) pay certain expenses of THDA bond issues; (ii) support future bond issues by providing additional funds to make lower interest rate loans to targeted groups; and (iii) make HOUSE Program grants. See "THDA Activities – HOUSE Program" below for more information. THDA no longer makes HOUSE Program grants.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the Resolution, the 1981 Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the Resolution, the 1981 Resolution, the 1974 General Resolution, the 2009 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

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(1) Previously, state tax revenues, as authorized by T.C.A Section 13-23-402, consisting of 15.15% of the real estate transfer tax levied by T.C.A. Section 67-4-409(a) and 13% of the mortgage recording tax levied by T.C.A. Section 67-4-409(b) were deposited to the Housing Program Fund for HOUSE Program Grants. For fiscal year 1999-2000 and thereafter, these tax revenues are not available to THDA. See "THDA – THDA Funds" for a discussion of amendments to the Act that affect these tax revenues.

(2) The current Asset Fund balance is $0; therefore, no investment income or principal is currently available for transfer to the Housing Program Fund.

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

HOMEOWNERSHIP PROGRAM LOAN PROCEDURES

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted. THDA's current income limits range from $54,480 to $92,680 depending on household size and geographic location. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. THDA's current maximum acquisition cost limit is $240,000 for all counties except counties in the Nashville MSA. For counties in the Nashville MSA, the maximum acquisition cost limit is $275,000. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, not to exceed 1% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and savings and loan associations. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions located in Tennessee or in the eight contiguous states to service Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms, commercial banks or savings and loan associations. THDA may also service Program Loans although it has elected only to service multi-family loans made under the 1974 General Resolution to date. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval.

THDA requires monthly reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data.

THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Mortgage Administration and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

July 19, 2012

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Homeownership Program Bonds
$27,285,000 Issue 2012-1A (AMT)
$15,825,000 Issue 2012-1B (Non-AMT)
$90,000,000 Issue 2012-1C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $27,285,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2012-1A (AMT) (the "Issue 2012-1A Bonds"), $15,825,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2012-1B (Non-AMT) (the "Issue 2012-1B Bonds") and $90,000,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2012-1C (Non-AMT) (the "Issue 2012-1C Bonds," and, together with the Issue 2012-1A Bonds and the Issue 2012-1B Bonds, the "Issue 2012-1 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2012-1 Bonds were authorized to be issued pursuant to the Act, the General Homeownership Program Bond Resolution of THDA, adopted June 6, 1985, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on March 27, 2012, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on June 27, 2012 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2012-1 Bonds (collectively, the "Homeownership Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2012-1 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2012-1 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2012-1 Bonds in order that interest on the Issue 2012-1 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2012-1 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2012-1 Bonds are valid and legally binding general obligations of THDA, for the payment of which, in accordance with their terms, the full faith and credit of THDA have been legally and validly pledged and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Homeownership Program Bonds, including the Issue 2012-1 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2012-1 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments and to cause its Chairman on or before November 1 of each year to make and deliver to the Governor and Commissioner of Finance and Administration of the State his certificate stating such sum, if any, as may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement provided for by the Resolution pursuant to the Act. The provisions of the Constitution of Tennessee prohibit moneys from being withdrawn from the Treasury except in consequence of an appropriation made by law. However, the General Assembly of the State may validly appropriate the amount of such sum as so certified and upon such appropriation, such amount may validly be paid to THDA for deposit in the Debt Service Reserve Fund established pursuant to the Resolution, although the provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts.

6. The Issue 2011-C Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2012-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2012-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (iii) interest on the Issue 2012-1B Bonds and the Issue 2012-1C Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iv) interest on the Issue 2012-1B Bonds <u>will be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code and (v) interest on the Issue 2012-1C Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2012-1 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2012-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2012-1 Bonds may have to take interest on such Issue 2012-1 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2012-1 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2012-1 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2012-1 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES

Delinquencies and Foreclosures as of March 31, 2012

As of March 31, 2012 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.75%, based on a total of 17,758 Program Loans as of March 31, 2012.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012 are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (2)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	245	$17,173,531	2.09%	1.71%(4)
VA Guaranteed	4	199,522	0.65	0.93
Privately Insured	29	2,669,811	1.09	0.62
USDA/RD Guaranteed	31	2,120,469	1.58	(5)
Uninsured	1	71,472	0.13	(5)
TOTAL	310	$22,234,805(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of March 31, 2012 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 4.49%, based on a total of 17,758 Program Loans as of March 31, 2012.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (2)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	640	$49,505,113	5.45%	4.94%(4)
VA Guaranteed	26	2,051,266	4.26	2.57
Privately Insured	57	6,002,577	2.14	1.36
USDA/RD Guaranteed	67	4,857,883	3.42	(5)
Uninsured	7	487,409	0.89	(5)
TOTAL	797	$62,904,248(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of March 31, 2012 (unaudited), the overall rate of Program Loans in foreclosure was 0.78%, based on a total of 17,758 Program Loans as of March 31, 2012.

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2012, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (2)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	117	$7,966,580	1.00%	2.79%(4)
VA Guaranteed	4	264,338	0.65	1.84
Privately Insured	9	925,065	0.26	1.37
USDA/RD Guaranteed	6	214,901	0.31	(5)
Uninsured	2	186,328	0.13	(5)
TOTAL	138	$9,557,211(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2011

As of December 31, 2011 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.53%, based on a total of 18,284 Program Loans as of December 31, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	343	$25,001,392	2.84%	2.32%(4)
VA Guaranteed	8	511,027	1.25	1.30
Privately Insured	50	4,740,802	1.83	0.80
USDA/RD Guaranteed	58	3,736,202	2.86	(5)
Uninsured	3	248,790	0.37	(5)
TOTAL	462	$34,238,212(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of December 31, 2011 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 4.83%, based on a total of 18,284 Program Loans as of December 31, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	721	$54,475,800	5.97%	5.28%[4]
VA Guaranteed	23	1,620,854	3.59	2.77
Privately Insured	53	5,522,540	1.94	1.52
USDA/RD Guaranteed	82	5,779,194	4.05	(5)
Uninsured	5	405,763	0.62	(5)
TOTAL	884	$67,804,151[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of December 31, 2011 (unaudited), the overall rate of Program Loans in foreclosure was 1.36%, based on a total of 18,284 Program Loans as of December 31, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2011, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	193	$15,135,240	1.60%	2.84%[4]
VA Guaranteed	8	743,526	1.25	1.94
Privately Insured	25	2,305,497	0.73	1.48
USDA/RD Guaranteed	21	1,777,389	1.04	(5)
Uninsured	1	85,612	0.00	(5)
TOTAL	248	$20,047,264[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2011

As of September 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.62%, based on a total of 18,795 Program Loans as of September 30, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	362	$26,431,690	2.91%	2.25%[4]
VA Guaranteed	14	1,258,420	2.09	1.40
Privately Insured	48	4,664,710	1.70	0.80
USDA/RD Guaranteed	67	4,890,714	3.21	(5)
Uninsured	1	80,289	0.13	(5)
TOTAL	492	$37,325,823[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of September 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 4.31%, based on a total of 18.795 Program Loans as of September 30, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	663	$50,791,394	5.33%	4.70%[4]
VA Guaranteed	18	1,285,317	2.68	2.45
Privately Insured	56	5,409,838	1.99	1.49
USDA/RD Guaranteed	69	4,914,388	3.31	(5)
Uninsured	4	306,532	0.51	(5)
TOTAL	810	$62,707,469[2]		

(1) Rounded figures.
(2) Rounded total,
(3) MBA data for Tennessee for the quarter ending September 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of September 30, 2011 (unaudited), the overall rate of Program Loans in foreclosure was 1.35%, based on a total of 18,795 Program Loans as of September 30, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2011, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	199	$16,304,161	1.60%	2.50%(4)
VA Guaranteed	7	682,035	1.04	1.80
Privately Insured	25	2,587,200	0.64	1.58
USDA/RD Guaranteed	22	1,728,790	1.05	(5)
Uninsured	0	0	0.00	(5)
TOTAL	253	$21,302,186(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of June 30, 2011

As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.08%, based on a total of 19,311 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	313	$22,902,158	2.45%	2.05%(4)
VA Guaranteed	11	1,033,147	1.58	1.29
Privately Insured	33	3,207,477	1.14	0.79
USDA/RD Guaranteed	43	3.221,952	2.00	(5)
Uninsured	2	182,479	0.26	(5)
TOTAL	402	$30,547,213(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

As of June 30, 2011 (unaudited), the overall delinquency rate for Program Loans that were ninety (90) days past due was 4.52%, based on a total of 19,311 Program Loans as of June 30, 2011.

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	704	$54,705,027	5.51%	4.70%[4]
VA Guaranteed	19	1,555,458	2.72	2.45
Privately Insured	66	7,136,151	2.28	1.49
USDA/RD Guaranteed	80	5,722,330	3.72	(5)
Uninsured	4	311,957	0.51	(5)
TOTAL	873	$69,430,924[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

As of June 30, 2011 (unaudited), the overall rate of Program Loans in foreclosure was 1.24%, based on a total of 19,311 Program Loans as of June 30, 2011.

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2011, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	198	$15,280,109	1.55%	2.40%[4]
VA Guaranteed	4	355,827	0.57	1.85
Privately Insured	20	2,205,872	0.59	1.65
USDA/RD Guaranteed	18	1,453,533	0.84	(5)
Uninsured	0	0	0.00	(5)
TOTAL	240	$19,295,340[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Tennessee Housing Development Agency

Leading Tennessee Home

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2012-2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2012-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (ii) interest on the Issue 2012-2B Bonds and the Issue 2012-2C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2012-2B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), and (iv) interest on the Issue 2012-2C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2012-2 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2012-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Homeownership Program Bonds
$14,355,000 Issue 2012-2A (AMT)
$8,270,000 Issue 2012-2B (Non-AMT)
$75,000,000 Issue 2012-2C (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2012-2A Bonds (the "Issue 2012-2A Bonds"), the Issue 2012-2B Bonds (the "Issue 2012-2B Bonds") and the Issue 2012-2C Bonds (the "Issue 2012-2C Bonds" and, together with the Issue 2012-2A Bonds and the Issue 2012-2B Bonds, the "Issue 2012-2 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F - "Book-Entry-Only System." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on July 1, 2013, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption at par prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are general obligations of the Tennessee Housing Development Agency ("THDA") payable from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds and other funds of THDA legally available therefor.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about November 15, 2012.

RAYMOND JAMES | MORGAN KEEGAN

CITIGROUP **RBC CAPITAL MARKETS**

J.P. MORGAN **WELLS FARGO SECURITIES**

FTN FINANCIAL CAPITAL MARKETS

October 16, 2012

† Interest on the Issue 2012-2C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOMEOWNERSHIP PROGRAM BONDS
Maturities, Amounts, Interest Rates and Prices

$14,355,000 Issue 2012-2A (AMT)

$14,355,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2013				$ 920,000	0.50%	88045RYH9
2014	$1,235,000	0.70%	88045RYQ9	1,245,000	0.80	88045RYJ5
2015	1,250,000	0.95	88045RYR7	1,255,000	1.05	88045RYK2
2016	1,265,000	1.40	88045RYS5	1,265,000	1.50	88045RYL0
2017	1,275,000	1.65	88045RYT3	1,285,000	1.75	88045RYM8
2018	1,300,000	2.00	88045RYU0	1,310,000	2.10	88045RYN6
2019	750,000	2.30	88045RYP1			

$8,270,000 Issue 2012-2B (Non-AMT)

$8,270,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2019	$ 575,000	1.85%	88045RYV8	$1,340,000	1.90%	88045RYZ9
2020	1,350,000	2.10	88045RYW6	1,370,000	2.15	88045RZA3
2021	1,390,000	2.35	88045RYX4	1,405,000	2.35	88045RZB1
2022	840,000	2.50	88045RYY2			

$75,000,000 Issue 2012-2C (Non-AMT)†

$8,035,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2022	$ 590,000	2.50%	88045RZC9	$1,445,000	2.50%	88045RZJ4
2023	1,465,000	2.70	88045RZD7	1,490,000	2.70	88045RZK1
2024	1,510,000	2.75	88045RZL9	1,535,000	2.75	88045RZE5

$66,965,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2028	$13,235,000	3.10%	88045RZF2
January 1, 2031	8,735,000	3.30	88045RZM7
July 1, 2038 PAC	26,575,000	4.00	88045RZG0
July 1, 2043	18,420,000	3.80	88045RZH8

PRICE OF ISSUE 2012-2C BONDS DUE JULY 1, 2038 (PAC): 109.992%

PRICE OF ALL REMAINING ISSUE 2012-2 BONDS: 100.000%

[(1)] The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

†Interest on the Issue 2012-2C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisor

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TENNESSEE HOUSING DEVELOPMENT AGENCY

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$8,270,000 Issue 2012-2B (Non-AMT)
$75,000,000 Issue 2012-2C (Non-AMT)[†]

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Homeownership Program Bonds, Issue 2012-2A in the aggregate principal amount of $14,355,000 (the "Issue 2012-2A Bonds"), Issue 2012-2B in the aggregate principal amount of $8,270,000 (the "Issue 2012-2B Bonds") and Issue 2012-2C in the aggregate principal amount of $75,000,000 (the "Issue 2012-2C Bonds" and, together with the Issue 2012-2A Bonds and the Issue 2012-2B Bonds, the "Issue 2012-2 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Homeownership Program Bond Resolution, adopted by THDA on June 6, 1985, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 24, 2012, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on October 16, 2012 (the "Issue 2012-2 Supplemental Resolution"). The General Resolution and the Issue 2012-2 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2012-2 Bonds on July 23, 2012. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of August 31, 2012 (unaudited), Bonds in the aggregate principal amount of $1,386,065,000 were outstanding under the Resolution, bonds in the aggregate principal amount of $57,400,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution") and bonds in the aggregate principal amount of $620,490,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution").

On June 6, 2012, the State Funding Board approved the THDA Schedule of Financing for fiscal year 2013. The Schedule of Financing includes the issuance of bonds in 2013 to refund all outstanding bonds issued under the 1974 General Resolution. Bonds issued to refund the bonds outstanding under the 1974 General Resolution could be issued under the General Resolution, the 2009 General Resolution, the 1974 General Resolution or a new general resolution yet to be adopted. Approval of the Schedule of Financing by the State Funding Board is required by Tennessee law. THDA is not required, however, to carry out financings strictly in accordance with the Schedule of Financing. While THDA has approved the Schedule of Financing for purposes of submission to the State Funding Board, no further action has been taken by the THDA Board of Directors with respect to such refunding. No assurance can be provided with respect to the actual refunding of the bonds issued under the 1974 General Resolution, the timing thereof, or the means by which such bonds are refunded.

Bonds issued under the Resolution, including the Offered Bonds, are and will be general obligations of THDA, payable from (i) the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Debt Service Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS" and (ii) other funds of THDA legally available therefor. All bonds issued under the Resolution, including the

[†] Interest on the Issue 2012-2C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

The revenues and assets of THDA pledged under the Resolution are not pledged as security for bonds issued under the 1974 General Resolution or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution and the 2009 General Resolution, respectively, are not pledged as security for the Offered Bonds. See Appendix E for a description of the 1974 General Resolution and the 2009 General Resolution.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of August 31, 2012 (unaudited), 17,369 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $1,332,709,223. Based on the outstanding principal balance of Program Loans as of August 31, 2012, approximately 64.61% were FHA insured, approximately 2.84% were VA guaranteed, approximately 18.57% were insured by private mortgage insurance companies, approximately 10.40% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 3.58% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO – Homeownership Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

THDA expects to use the proceeds from the issuance of the Issue 2012-2A Bonds and the Issue 2012-2B Bonds to refund its Issue 2003-2 Bonds issued and outstanding under the General Resolution (the "Prior Bonds"). As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $24,191,000 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "HOMEOWNERSHIP PROGRAM LOANS—Description of the Transferred Program Loans" for information about the Transferred Program Loans. In addition, Revenue Fund investments allocable to the Prior Bonds in the projected amount of approximately $1,994,000 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on January 2, 2013, at a redemption price of 100% plus accrued interest. No assurance can be provided that the Prior Bonds will actually be refunded.

THDA expects that the proceeds of the Issue 2012-2C Bonds will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Debt Service Reserve Fund, if required. See "APPLICATION OF BOND PROCEEDS." The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "PROGRAM LOANS – Description of Program Loans" and in Appendix G.

As used herein, the term "Program Loans" refers to all mortgage loans financed under the General Resolution, including the Transferred Program Loans and mortgage loans to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (or participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, the Resolution and certain provisions of the Act and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee.

Certain capitalized terms utilized herein are defined in Appendix D hereto. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "Book-Entry Only System" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2012-2 Bonds and is payable on July 1, 2013, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2012-2C Bonds maturing on July 1, 2028, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2025, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-2C
Term Bonds Due July 1, 2028

Year	Amount Due January 1	Amount Due July 1	
2025	$1,560,000	$1,580,000	
2026	1,615,000	1,640,000	
2027	1,665,000	1,695,000	
2028	1,725,000	1,755,000	(maturity)

The Issue 2012-2C Bonds maturing on January 1, 2031, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2029, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-2C
Term Bonds Due January 1, 2031

Year	Amount Due January 1	Amount Due July 1
2029	$1,780,000	$1,810,000
2030	1,850,000	1,880,000
2031	1,415,000 (maturity)	

The Issue 2012-2C Bonds maturing on July 1, 2038, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2031, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-2C
PAC Term Bonds Due July 1, 2038

Year	Amount Due January 1	Amount Due July 1
2031		$1,985,000
2032	$2,030,000	2,060,000
2033	2,100,000	2,135,000
2034	2,180,000	1,455,000
2035	1,480,000	1,505,000
2036	1,535,000	1,565,000
2037	1,590,000	1,620,000
2038	1,655,000	1,680,000 (maturity)

The Issue 2012-2C Bonds maturing on July 1, 2043, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2039, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2012-2C
Term Bonds Due July 1, 2043

Year	Amount Due January 1	Amount Due July 1
2039	$1,680,000	$1,715,000
2040	1,750,000	1,785,000
2041	1,820,000	1,860,000
2042	1,895,000	1,935,000
2043	1,970,000	2,010,000 (maturity)

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Optional Redemption. The Issue 2012-2 Bonds maturing on and after July 1, 2022, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2022, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of PAC Bonds. The Issue 2012-2C Bonds maturing July 1, 2038 (the "PAC Bonds") are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2012-2 Principal Payments (as defined below). Any Excess 2012-2 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2013; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2012-2 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds"), as determined by THDA, then available Excess 2012-2 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the Planned Amortization Amount (as defined below) for the PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2012-2 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the PAC Bonds shall first be applied to redeem PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2012-2 Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the PAC Bond's proportionate amount of all Issue 2012-2 Bonds then Outstanding.

"Excess 2012-2 Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the PAC Bonds assumed to be redeemed from Excess 2012-2 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 75% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds" for a description of PSA prepayment rates.

The Planned Amortization Amount for the PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $24,191,000 with an approximate weighted average maturity of 247 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 75% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedule

Date	Planned Amortization Amount
July 1, 2013	$ 540,000
January 1, 2014	1,460,000
July 1, 2014	2,680,000
January 1, 2015	4,190,000
July 1, 2015	5,965,000
January 1, 2016	7,885,000
July 1, 2016	9,755,000
January 1, 2017	11,560,000
July 1, 2017	13,305,000
January 1, 2018	14,990,000
July 1, 2018	16,615,000
January 1, 2019	18,180,000
July 1, 2019	19,690,000
January 1, 2020	21,140,000
July 1, 2020	22,540,000
January 1, 2021	23,885,000
July 1, 2021	25,180,000
January 1, 2022	26,420,000
July 1, 2022	26,575,000

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see "ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds."

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans; (ii) except as otherwise described under the headings "DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds", and "-Mandatory Redemption – 10 Year Rule", repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Code, and (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and (b) shall not be subject to redemption as described in clauses (iii) and (iv) above if such redemption would cause amortization of the PAC Bonds to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedule. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) above shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The

Offered Bonds to be so redeemed shall be redeemed pro rata among all maturities then Outstanding and eligible for redemption, unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Offered Bonds to be so redeemed; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) above. See “ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments” and “ASSUMPTIONS REGARDING OFFERED BONDS - THDA Redemption Practices”.

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds,” THDA shall direct the redemption of the Offered Bonds pro rata among all maturities then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Offered Bonds to be redeemed; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedule only if there are no other Offered Bonds outstanding.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
November 15, 2012	10.1%
July 31, 2013	22.8
November 15, 2022	100.0

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on May 15, 2016, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2012-2 Bonds Subaccount of the Loan Fund on such date. Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. THDA shall direct the redemption of the Offered Bonds pro rata among all maturities of such Offered Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Offered Bonds to be so redeemed; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding.

Selection By Lot

If less than all of the Issue 2012-2 Bonds of like series and maturity are to be redeemed, the particular Issue 2012-2 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds, and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds, which notice shall specify the series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. In the event that the Trustee does not, at the time notice of any redemption is required to be given under the Resolution, hold on deposit in the Redemption Fund an amount sufficient to pay the Redemption Price of, plus interest accrued and unpaid to the redemption, such notice shall further state that the redemption is conditional upon sufficient funds being so deposited or transferred by or at the direction of THDA to the Redemption Fund and that, in the event such funds are not so deposited or transferred, the redemption shall be canceled, or reduced to the extent of funds actually on deposit, and written notice of such cancellation or reduction shall be given to the holders of Bonds which are not to be redeemed within ten (10) days following the proposed redemption date in the same manner as provided for notice of the redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than twenty (20) days (or such shorter period as may be acceptable to DTC) before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix F – “Book-Entry-Only System” for a discussion of DTC practices.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2012-2 Bonds will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 97,625,000.00
Premium on PAC Bond	2,655,374.00
Transferred Program Loans	24,190,863.00
Transferred Investments	1,994,020.87
TOTAL SOURCES	$ 126,465,257.87
USES	
Deposit to Loan Fund(1)	$ 101,007,918.00
Redemption of Prior Bonds	22,625,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	1,994,020.87
Costs of Issuance	181,000.00
Underwriters’ Fee	657,319.00
TOTAL USES	$ 126,465,257.87

(1) Includes $76,817,055 in proceeds from Issue 2012-2C plus approximately $24,190,863 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are general obligations of THDA payable from the revenues and assets of THDA pledged under the Resolution and other funds of THDA legally available therefor. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution, including the Escrow Fund;

(c) All Funds and Accounts created by the Resolution, including the Debt Service Reserve Fund, and monies and securities therein, and amounts required by the Resolution to be deposited in the Escrow Fund (see Appendix D - “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION”);

(d) Any monies paid by the State and deposited in the Debt Service Reserve Fund pursuant to the Act and the Resolution;

(e) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution; and

(f) Any other funds of THDA legally available therefor.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

Debt Service Reserve Fund

The Act authorizes THDA to establish one or more reserve funds to be known as debt service reserve funds. In accordance with the Act and the Resolution, THDA has established a Debt Service Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Debt Service Reserve Fund is at least equal to the maximum amount of principal, sinking fund installments and interest required to be made and becoming due on all Bonds then outstanding for the then current or any succeeding State fiscal year (July 1 to June 30) or any succeeding calendar year, whichever is greater (the “Debt Service Reserve Fund Requirement”). On the date of issuance of the Offered Bonds, the Debt Service Reserve Fund will contain an amount at least equal to the Debt Service Reserve Fund Requirement. The Resolution requires that if, at any time, there is not a sufficient amount available in the Debt Service and Expense Account to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Debt Service Reserve Fund to the Debt Service and Expense Account.

The Act establishes a mechanism for certifying an amount, if any, needed to restore the Debt Service Reserve Fund to an amount equal to the maximum amount of principal, or sinking fund payments, and interest, maturing, required to be made and becoming due in any succeeding state fiscal year on THDA’s bonds. These provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts. Under the Constitution of the State, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. With respect to any sum so certified by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration in accordance with the Act, the General Assembly is authorized to appropriate, to expend and to provide for the payment of such sum, but is not legally required to do so. THDA has covenanted in the Resolution to comply with the provisions of the Act relating to the requisite certification by the Chairman of THDA to the Governor and the Commissioner of Finance and Administration concerning the Debt Service Reserve Fund and has also covenanted to make and deliver such certification annually on or before November 1 and to deposit all monies received pursuant to any such certification into the Debt Service Reserve Fund. THDA has never requested the State to appropriate monies for the Debt Service Reserve Fund or for any other debt service reserve fund established pursuant to the Act or any other bond resolution of THDA.

Additional Bonds

THDA is authorized to issue additional series of Bonds upon the terms and conditions set forth in the General Resolution and such Bonds, when issued, shall, with the Offered Bonds and other outstanding Bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements upon the issuance or remarketing of Bonds, including the Offered Bonds, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Offered Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $24,191,000, with a weighted average maturity of approximately 247 months and a weighted average interest rate of approximately 5.07%, will be allocated to the Offered Bonds upon the refunding of the Prior Bonds and (ii) THDA originates approximately $76,817,055 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.16%; approximately 1% of which are participations funded with proceeds of the Issue 2012-2 Bonds for which all of the interest is allocable to the Offered Bonds. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2012-2 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "PROGRAM LOANS – Description of Program Loans" – Homeownership Choices" and Appendix G – "PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2012-2C Bonds, will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 4.16%; approximately $500,000 of which are participations for which all of the interest is allocable to the Offered Bonds and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans when bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds, however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2012-2C Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption under the General Resolution was Issue 1996-3 as shown on the chart under the heading "HOMEOWNERSHIP PROGRAM BONDS – Origination Experience" herein. THDA has not redeemed any bonds from unexpended proceeds under the 2009 General Resolution or the 1974 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from the Issue 2012-2C Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds on September 24, 2012. As of October 8, 2012, THDA has committed a total principal amount of approximately $10,500,000 of Program Loans that will be allocated to the Offered Bonds. Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

On July 7, 2011, the U.S. Department of Housing and Urban Development announced changes to Federal Housing Administration and Making Home Affordable Program requirements that direct servicers to extend the period of time during which eligible borrowers may skip part or all of their monthly payments from three or four months to twelve months whenever possible. These requirements became effective on August 1, 2011, with a subsequent sixty day implementation period. At present, THDA cannot predict what effect, if any, these requirements will have on the Program Loan portfolio, which, together with other revenues and assets available under the Resolution, is the source of payment and security for the Offered Bonds.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $217 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $25,000 for up to 18 months in 29 targeted counties and up to $20,000 for up to 12 months in 66 counties. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of August 31, 2012, 2,064 loans made under the HHF Program have closed. 232 of these HHF Program loans have been made with respect to Program Loans previously financed under the Resolution. None of the HHF Program loans are pledged as security for the Bonds.

The Tennessee Attorney General and Reporter participated in the lawsuit brought by 49 states attorneys general against the five largest mortgage loan servicers in the United States. This lawsuit resulted in a settlement under which the affected servicers must, among other things, pay states attorneys general certain sums (the "AG Settlement"). The Tennessee Attorney General and Reporter made $34,500,000 of the AG Settlement amount paid to Tennessee available to THDA for a program to assist borrowers who are at risk of foreclosure due to unexpected medical events. On July 1, 2012, THDA implemented a program that includes all HHF Program requirements described above, however, long term medical hardship is also an eligibility requirement.

In addition to federal governmental actions designed to address economic difficulties, both the federal government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. On February 1, 2012, for example, USDA/RD announced its Single Family Housing Guaranteed Rural Refinance Pilot Program. The pilot program is intended to assist existing borrowers in refinancing USDA/RD guaranteed mortgage loans with greater speed and ease. Borrowers will be able to secure lower interest rates and payments without the need of obtaining a new appraisal or new property inspections. Additionally, on March 6, 2012, the Obama Administration announced a new streamlined refinancing plan under which FHA, effective June 11, 2012, will reduce its upfront and annual mortgage insurance premiums for refinancings of FHA insured mortgage loans originated before June 1, 2009. THDA has not yet determined whether or how these programs may affect the THDA Program Loan portfolio.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D under the heading "The Program"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the Resolution, the resolutions adopted in connection with other issues of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "– Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution and the resolutions adopted in connection with other issues of Bonds under the General Resolution specify when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and Issues to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other issues of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Debt Service Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" for a description of Program Expenses. THDA expects to pay Costs of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure costs, and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. To the extent funds are available therefor, THDA currently expects to continue to pay other Program Expenses and other operating and administrative costs and expenses of THDA from the Housing Program Fund, a fund of THDA created in 1988 that is not subject to the lien of the Resolution. To the extent funds are not available from the Housing Program Fund, THDA expects to pay Program Expenses from the Debt Service and Expense Account of the Revenue Fund under the Resolution and other operating and administrative costs and expenses that are not Program Expenses from other resources of THDA. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds" and for more information about the Housing Program Fund, see Appendix E – "OTHER FINANCINGS, THDA FUNDS AND THDA ACTIVITIES – THDA Funds".

While THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses, the Act establishes a mechanism for certifying an amount, if any, estimated to be required for payment of expenses of THDA for the next ensuing State fiscal year. The amount so certified is the amount by which anticipated operating expenses of THDA, including Program Expenses, will exceed available THDA operating revenues. The Act further provides that to assure the continued operation and solvency of THDA for the fulfillment of the purposes of the Act, there shall be apportioned and paid to THDA, after audit by appropriate State officials, not more than the amount so stated. These provisions of the Act do not constitute a legally enforceable obligation of the State to pay such amounts. Under the Constitution of the State of Tennessee, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law. The General Assembly is authorized to appropriate, to expend and to provide for the payment of the amount so certified, but is not legally required to do so.

THDA has covenanted in the Resolution to comply with this provision of the Act relating to the certification of the amounts required for the payment of operating and administrative costs and expenses, to the extent such operating and administrative costs and expenses exceed available THDA operating revenues. THDA has never requested the State to appropriate monies to cover operating or administrative costs or expenses, including Program Expenses, of THDA.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Debt Service Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0.00% per annum until June 30, 2014, 0.50% per annum until June 30, 2017, 1.00% per annum until June 30, 2021, and 1.50% per annum thereafter; and (iii) funds on deposit in the Issue 2012-2 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0.00% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term “weighted average life” refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association (“PSA”)) prepayment standard or model (commonly referred to as the “PSA Prepayment Model”).

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, “0% PSA” assumes no prepayments of principal on the Program Loans. “25% PSA” assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. “50% PSA” assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. “100% PSA” assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading “DESCRIPTION OF THE OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds”, and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2012-2 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $24,191,000 of Transferred Program Loans with an approximate weighted average maturity of approximately 247 months and an approximate weighted average interest rate of 5.07% will be allocated to the Offered Bonds, (iii) Excess 2012-2 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the Planned Amortization Amounts as described under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds” and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see “DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS” herein.

Projected Weighted Average Lives For PAC Bonds

PSA Speed	Average Life (in years)
0%	21.9
25	13.2
50	7.1
75	5.0
100	5.0
200	5.0
300	5.0
400	5.0
500	4.9

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HOMEOWNERSHIP PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $2,235,065,000 total original principal amount of bonds under the General Resolution, of which $1,386,065,000 (unaudited) were outstanding as of August 31, 2012, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of August 31, 2012 (unaudited)	Original Net Interest Cost(1)
2003-1(2)	February 27, 2003	$ 50,000,000	$ 17,025,000	4.64
2003-2(3)	July 31, 2003	60,000,000	24,125,000	3.90
2003-3(2)	November 5, 2003	75,000,000	26,840,000	4.30
2004-1	March 4, 2004	80,000,000	32,650,000	4.40
2004-2	July 15, 2004	100,000,000	43,210,000	4.86
2004-3	January 13, 2005	100,000,000	44,890,000	4.41
2005-1	July 28, 2005	100,000,000	53,475,000	4.33
2005-2	November 17, 2005	100,000,000	52,585,000	4.61
2006-1	April 27, 2006	100,000,000	53,295,000	4.66
2006-2	July 27, 2006	100,000,000	50,535,000	4.85
2006-3	October 31, 2006	100,000,000	59,755,000	4.58
2007-1	March 13, 2007	100,000,000	61,125,000	4.49
2007-2	June 6, 2007	120,000,000	79,070,000	4.53
2007-3	August 7, 2007	150,000,000	92,375,000	4.77
2007-4	October 30, 2007	150,000,000	99,425,000	4.79
2008-1	May 29, 2008	60,000,000	39,480,000	4.93
2008-2	August 7, 2008	50,000,000	23,645,000	5.28
2008-3	September 30, 2008	90,000,000	55,565,000	5.00
2008-4	December 18, 2008	30,000,000	7,000,000	5.56
2009-1	June 11, 2009	50,000,000	41,640,000	4.39
2009-2	September 30, 2009	75,000,000	63,900,000	4.06
2010-1	October 13, 2010	120,700,000	96,825,000	3.57
2011-1	December 1, 2011	141,255,000	134,520,000	3.80
2012-1	July 19, 2012	133,110,000	133,110,000	3.26
TOTAL		$2,235,065,000	$1,386,065,000	

(1) Bond yield.

(2) Issue 2003-1 Bonds and Issue 2003-3 Bonds were redeemed on September 3, 2012, with a portion of the proceeds of the Issue 2012-1 Bonds.

(3) Issue 2003-2 Bonds are expected to be refunded with a portion of the proceeds of the Issue 2012-2 Bonds and redeemed on January 2, 2013.

Origination Experience

Other than bond issues currently being originated, between January 1, 1995, and August 31, 2012, THDA fully originated all bond issues with the exception of the following two transactions which experienced unexpended proceeds redemptions:

Issue of Bonds	Lendable Proceeds	Program Loans Financed Amount	Program Loans Financed %	Non-Origination Bond Redemptions	Mortgage Interest Rate(s)
1995-1	$ 59,309,056	$ 23,702,408	39.96%	$35,600,000	7.40/5.50
1996-3	64,303,700	42,049,898	65.39	22,250,000	6.75/6.50/6.25

THDA's experience from January 1, 2000, to August 31, 2012, regarding origination of Program Loans[1] from lendable proceeds of Bonds issued under the General Resolution since January 1, 2000, is shown in the following table:

Issue of Bonds	Lendable Proceeds[2]	Program Loans Financed[3] as of August 31, 2012 Amount	%	Mortgage Interest Rate(s)
2000-1	$ 103,803,075	$ 103,803,075	100.00	7.30
2000-2A/B	108,900,000	108,900,000	100.00	7.30/7.25/6.50/6.25
2001-2A/B	60,000,000	59,997,726	100.00	7.25/6.25/5.90/6.90
2001-3A/B	64,580,000	64,580,000	100.00	5.90/6.90
2002-1A/B	85,000,000	84,995,890	100.00	6.00/7.00
2002-2A/B	85,000,000	85,000,000	100.00	6.00/7.00/5.625/6.625/5.40/6.40
2003-1A/B	50,000,000	50,000,000	100.00	5.25/6.25/4.75/5.75/4.65/5.65
2003-2A/B	61,108,600[4]	61,108,600	100.00	4.65/5.65
2003-3A/B	76,723,250[4]	76,723,250	100.00	5.25/6.25
2004-1	81,914,000[4]	81,914,000	100.00	4.95/5.95/5.25/6.25/5.60/6.60
2004-2	101,909,600[4]	101,909,600	100.00	5.60/6.60/5.10/6.10
2004-3	89,023,500[4]	89,023,500	100.00	5.10/6.10/4.99/5.99
2005-1	102,000,000[4]	102,000,000	100.00	4.99/5.99
2005-2	101,606,800[4]	101,606,800	100.00	4.99/5.30/5.99/6.30
2006-1	102,908,000[4]	102,908,000	100.00	5.30/5.40/6.30/6.40
2006-2	102,913,560[4]	102,913,560	100.00	5.40/5.80/6.40/6.80
2006-3	103,584,640[4]	103,583,316	100.00	5.40/5.50/5.80/5.90/6.00/6.40/6.50/6.80
2007-1	103,043,200[4]	103,041,521	100.00	5.40/5.90/6.40
2007-2	123,201,600[4]	123,194,178	100.00	5.40/5.90/6.40/5.70/6.20/6.70
2007-3	153,968,215[4]	153,967,959	100.00	5.70/6.00/6.20/6.50/6.70/7.00
2007-4	154,361,250[4]	154,360,985	100.00	5.45/5.75/5.95/6.00/6.25/6.45/6.50/6.75
2008-1A/B	60,000,000	60,000,000	100.00	5.45/5.80/6.30/6.80
2008-2A/B	59,000,000[5]	59,000,000	100.00	5.80/5.99/6.30/6.49/6.80/6.99
2008-3	90,000,000	89,998,284	100.00	5.80/5.99/6.10/6.15/6.30/6.49/6.60/6.80/6.99/7.10
2008-4	35,000,000	34,999,852	100.00	5.55/5.85/6.15
2009-1	50,000,000	49,999,065	100.00	5.20/5.50/5.80
2009-2	75,000,000	74,999,843	100.00	5.20/5.50/5.80
2010-1	2,150,000	2,150,000	100.00	4.85
2012-1	89,550,000	63,326,276	70.72	3.45/3.75/3.95/4.25/4.55
TOTAL	$2,476,249,290	$2,450,005,280		

(1) See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Program Loans" for more information about Program Loans.

(2) Excludes proceeds that must be lent at 0% interest as participations in other Program Loans.

(3) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

(4) Includes initial issue premium paid with respect to planned amortization class bond.

(5) These lendable proceeds include $50,000,000 in proceeds from Issue 2008-2A/B plus $9,000,000 released from the lien of the 1974 General Resolution in accordance with its terms and transferred to the Issue 2008-2 Loan Fund of the General Resolution.

From December 2009 to April 2012, THDA originated mortgage loans with the proceeds of bonds issued under the 2009 General Resolution through the New Issue Bond Program. Proceeds of Issue 2011-C, the most recent publicly offered bonds issued by THDA under the 2009 General Resolution, and proceeds of Issue 2009-B, Subseries B-5, the last tranche of bonds released from escrow under the New Issue Bond Program, were used to purchase Program Loans through April 2012. No additional proceeds through the New Issue Bond Program and the 2009 General Resolution remain available.

THDA expects to reimburse itself for the full original principal amount of Program Loans purchased as of the day of closing. THDA began committing Program Loans against the expected proceeds from the Offered Bonds on September 24, 2012, and as of October 8, 2012, THDA has committed a total principal amount of approximately $10,500,000 of Program Loans that will be allocated to the Offered Bonds.

HOMEOWNERSHIP PROGRAM LOANS

Description of Homeownership Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits are either $240,000 or $275,000 depending on geographic location. The THDA Household Income Limits range from $54,480 to $92,680 depending on household size and geographic location. See Appendix G for a description of Homeownership Program Loan Procedures related to Code requirements.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. As of August 31, 2012, the current interest rate for Great Rate Program Loans is 3.60%, the current interest rate for the Great Advantage Program Loans is 3.90% and the current interest rate for Great Start Program Loans is 4.20%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues in the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of $32,760, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. An interest rate equal to one-half of the current interest rate for Great Rate Program Loans is available to borrowers who have a maximum family income of $38,220, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. All other THDA Program Loan requirements remain applicable. As of August 31, 2012 (unaudited), 366 New Start Program Loans, with an aggregate principal balance of approximately $17,812,036, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other bonds.

Homeownership for the Brave

THDA recently implemented a new program to assist in providing more affordable homeownership opportunities to veterans. The Homeownership for the Brave program offers a ½-percentage point reduction on any of THDA’s three 30-year fixed mortgage choices: Great Rate, Great Advantage or Great Start. Active and retired members of the military and reservists (180 days’ active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of August 31, 2012 (unaudited), 72 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $7,830,180, were outstanding under the General Resolution.

Homeownership Program Portfolio Data

General

As of August 31, 2012 (unaudited), 17,369 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $1,332,709,223 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 275.30 months and an approximate weighted average interest rate of 5.72%.

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Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of August 31, 2012 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA [(1)]	Number of Program Loans	Outstanding Balance [(3)]	Percent of Total Number of Program Loans [(3)]	Percent of Outstanding Balance [(4)]
FHA Insured………………………….	11,625	$861,095,536	66.93%	64.61%
VA Guaranteed………………………	568	37,780,965	3.27	2.84
Privately insured...........................	2,521	247,532,944	14.51	18.57
Uninsured[(2)]………………………….	776	47,668,006	4.47	3.58
USDA/RD Guaranteed……………...	1,879	138,631,772	10.82	10.40
TOTAL…………………………..….	17,369	$1,332,709,223	100.00%[(4)]	100.00%[(4)]

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs" for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Transferred Loans are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

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As of August 31, 2012 (unaudited), 2,521[1] privately insured Program Loans having an aggregate balance of approximately $247,532,944 were outstanding under the General Resolution. As of August 31, 2012 (unaudited), THDA had the following information regarding the private mortgage insurers for 2,271 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [3]	Percent of Total Number of Program Loans[3]	Percent of Outstanding Balance [3]
Commonwealth/CMAC	8	$334,247	0.0461%	0.0251%
Genworth Mortgage Insurance Corp. (GE)	982	101,501,158	5.6538	7.6162
MGIC	759	76,464,639	4.3699	5.7375
PMI Mortgage Insurance[2]	12	712,356	0.0691	0.0535
Radian Guaranty Inc.	12	914,207	0.0691	0.0686
Republic Mortgage Insurance Corporation	155	16,890,745	0.8924	1.2674
Traid	22	1,669,870	0.1267	0.1253
United Guaranty Residential Insurance Co.	321	32,276,525	1.8481	2.4219
TOTAL	2,271	$230,763,748[4]	13.0750%[4]	17.3154%[4]

(1) The private mortgage insurer is not identified with respect to 250 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) PMI Mortgage Insurance is under the oversight of the Arizona Department of Insurance and, effective October 25, 2011, will pay claims only at the rate of $.50 per $1.00.

(3) Rounded figures.

(4) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of August 31, 2012 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[1]	Outstanding Balance [2]	Percent of Total Number of Program Loans[2]	Percent of Outstanding Balance [2]
0.00-0.99	366	$ 17,812,036	2.11%	1.34%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	5	451,959	0.03	0.03
3.00-3.99	39	4,115,070	0.22	0.31
4.00-4.99	1,627	152,001,536	9.37	11.41
5.00-5.49	3,642	343,317,018	20.97	25.76
5.50-5.99	4,822	422,460,976	27.76	31.70
6.00-6.49	2,797	211,558,663	16.10	15.87
6.50-6.99	1,657	104,848,415	9.54	7.87
7.00-7.49	883	42,625,459	5.08	3.20
7.50-7.99	408	16,779,257	2.35	1.26
8.00-8.49	374	3,080,921	2.15	0.23
8.50-8.99	459	9,148,677	2.64	0.69
9.00-9.49	231	3,907,670	1.33	0.29
9.50-9.99	59	601,567	0.25	0.05
TOTAL	17,369	$1,332,709,223[3]	100.00%[3]	100.00%[3]

(1) See "HOMEOWNERSHIP PROGRAM LOAN PORTFOLIO—Description of Homeownership Programs" for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America (“MBA”).

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of August 31, 2012

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.98%, based on a total of 17,369 Program Loans as of August 31, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of August 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF AUGUST 31, 2012

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	263	$17,756,739	2.26%	1.97%[4]
VA Guaranteed	5	443,270	0.88	1.14
Privately insured	25	2,171,398	0.99	0.70[5]
USDA/RD Guaranteed	47	3,294,220	2.50	[6]
Uninsured	4	229,838	0.52	[6]
TOTAL	344	$23,895,466[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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The overall delinquency rate for Program Loans that were ninety (90) days past due was 5.22%, based on a total of 17,369 Program Loans as of August 31, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of August 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF AUGUST 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	718	$54,172,675	6.18%	4.69%[4]
VA Guaranteed	24	2,009,351	4.23	2.82
Privately insured	73	7,509,183	2.90	1.31[5]
USDA/RD Guaranteed	82	5,762,016	4.36	(6)
Uninsured	10	608,624	1.29	(6)
TOTAL	907	$70,061,848[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.09%, based on a total of 17,369 Program Loans as of August 31, 2012 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of August 31, 2012 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2012, are as follows:

IN FORECLOSURE AS OF AUGUST 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	143	$10,689,902	1.23%	3.29%[4]
VA Guaranteed	12	995,825	2.11	1.57
Privately insured	19	1,834,710	0.56	1.17[5]
USDA/RD Guaranteed	15	1,079,521	0.80	(6)
Uninsured	1	83,851	0.00	(6)
TOTAL	190	$14,683,809[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

The Transferred Program Loans are expected to have an approximate weighted average maturity of 247 months and a weighted average interest rate of 5.07% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE OFFERED BONDS – Prepayment Experience of Transferred Program Loans" herein. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of August 31, 2012; the Transferred Program Loans will not be allocable to the Offered Bonds until January 1, 2013, and Transferred Program Loan characteristics may change slightly from August 31, 2012 to January 1, 2013).

Transferred Program Loans by Type of Mortgage

Type of Mortgage	Number	Principal Amount [3]	% of Transferred Principal Amount
FHA Insured……………………..….	257	$20,052,001	82.89%
VA Guaranteed………………….....	9	730,551	3.02
USDA/RD Guaranteed……………	34	2,592,991	10.72
Privately Insured[1]…………………	8	466,318	1.93
Uninsured[2]………………………..	6	349,003	1.44
TOTAL………………………………	314	$24,190,863 [4]	100.00%

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(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.

(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of August 31, 2012 (unaudited), $466,318 principal amount of the Transferred Program Loans are privately insured. As of August 31, 2012 (unaudited), the private mortgage insurer is not identified with respect to 8 privately insured Program Loans as these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to the Prior Bonds. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA

Prepayment Model of the mortgage loans allocable to the Prior Bonds for the 3 month, 6 month and 12 month periods ended on August 31, 2012, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Mortgage Rate
2003-2	278%	225%	189%	132%	5.07%

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.91%, based on a total of 314 Transferred Program Loans as of August 31, 2012 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of August 31, 2012, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF AUGUST 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	5	$399,923	1.95%	1.97%(4)
VA Guaranteed	0	0	0.00	1.14
Privately Insured	0	0	0.00	0.70(5)
USDA/RD Guaranteed	1	70,914	2.94	(6)
Uninsured	0	0	0	(6)
TOTAL	6	$470,838(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 2.87%, based on a total of 314 Transferred Program Loans as of August 31, 2012 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of August 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF AUGUST 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	8	$625,221	3.11%	4.69%(4)
VA Guaranteed	0	0	0.00	2.82
Privately Insured	0	0	0.00	1.31(5)
USDA/RD(1) Guaranteed	1	82,735	2.94	(6)
Uninsured	0	0	0.00	(6)
TOTAL	9	$707,956(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 1.59%, based on a total of 314 Transferred Program Loans as of August 31, 2012 (unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of August 31, 2012 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2012, are shown in the following table:

IN FORECLOSURE AS OF AUGUST 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	4	$249,449	1.56%	3.29%[4]
VA Guaranteed	0	0	0.00	1.57
Privately Insured	0	0	0.00	1.17[5]
USDA/RD[1] Guaranteed	1	75,130	2.94	[6]
Uninsured	0	0	0.00	[6]
TOTAL	5	$324,579[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

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FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM

Consolidated Revenues and Net Assets

The following table summarizes consolidated revenues and net assets for Homeownership Program Bonds for the five most recent years, and for the nine months ended March 31, 2012, and March 31, 2011. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the years ending June 30, 2011, 2010, 2009, 2008, and 2007, and for the nine months ended March 31, 2012 (unaudited) and March 31, 2011 (unaudited).

	Nine Months Ended March 31 (Unaudited)		Year Ended June 30 (Audited)				
Homeownership Bond Group	**2012**	**2011**	**2011**	**2010**	**2009**	**2008**	**2007**
REVENUES:							
Interest on Mortgages	$ 63,298	$ 71,918	$ 93,952	$ 107,457	$ 110,312	$ 101,478	$ 83,531
Investment Income:							
Interest	6,819	6,949	9,235	10,561	12,140	18,263	20,052
Net Increase (decrease) in the Fair Value of Investments	552	(5,679)	(4,118)	1,601	3,017	7,060	924
Fees and Other Income	-	-	-	-	-	-	-
	70,669	73,188	99,069	119,619	125,469	126,801	104,507
EXPENSES:							
Interest	49,788	55,997	72,065	85,940	87,976	87,411	73,959
Issuance Cost	437	454	621	656	624	548	484
Mortgage Servicing Fees	3,990	4,517	5,918	6,697	6,783	6,339	5,185
Down Payment Assistance Grants	5,894	5,898	7,877	8,197	3,748	3,094	3,685
Other	4,648	3,898	6,215	2,884	2,359	2,758	2,006
	64,757	70,764	92,696	104,374	101,490	100,150	85,319
Excess of Revenues over Expenses	5,912	2,424	6,373	15,245	23,979	26,651	19,188
Net Assets at beginning of period	348,928	358,100	358,100	360,461	336,488	307,832	277,851
Other Transfers	(10,003)	(41,207)	(15,545)	(17,606)	(6)	2,005	10,793
Net Assets at end of period	$ 344,837	$ 319,317	$ 348,928	$ 358,100	$ 360,461	$ 336,488	$ 307,832

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. THDA solicits bids in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of August 31, 2012 (unaudited), the Resolution investment portfolio was placed as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Farm Credit Bank Notes	$ 0	$ 20,394,981
Federal Home Loan Bank Notes	57,500,000	40,042,310
Federal Home Loan Mortgage Corporation Notes	0	19,366,636
Fannie Mae Notes	2,082,000	72,180,557
Repurchase Agreements	0	0
United States Treasury Bonds	0	82,113,304
TOTAL	$ 59,582,000	$234,097,788

As of August 31, 2012 (unaudited), amounts in the Debt Service Reserve Fund, a portion of the Resolution investment portfolio described above, were invested as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Farm Credit Bank Notes	$ 0	$ 10,422,939
Federal Home Loan Bank Notes	0	28,893,855
Federal Home Loan Mortgage Corporation Notes	0	6,671,060
Fannie Mae Notes	2,082,000	52,618,502
United States Treasury Bonds	0	82,113,304
TOTAL	$ 2,082,000	$180,719,660

(1) Short term investments include cash equivalents and investments that mature in one year or less.

(2) Long term investments include investments that mature in more than one year regardless of call features.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

THDA is subject to periodic review by the General Assembly to evaluate the necessity for its continued existence. THDA's existence has been continued until June 30, 2014.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of August 31, 2012 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $2,063,955,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors[(1)] are shown below:

Name	**Term Expires**	**Principal Occupation**
Robyn J. Askew	July 1, 2013	Attorney, Lewis, King, Kreig & Waldrop, PC Knoxville, TN
Phil M. Baggett	July 1, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
John L. Baker	July 1, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Mark Cate[(2)]	(3)	Special Assistant & Policy Advisor to the Governor
Philip C. Chamberlain, II	July 1, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Dorothy L. Cleaves	July 1, 2016	First Vice President, Paragon National Bank Memphis
Terry Cunningham	July 1, 2016	Executive Director, Kingsport Housing & Redevelopment Authority, Kingsport, TN
Mark Emkes[(2)]	(3)	Commissioner, Department of Finance and Administration
William Graves	July 1, 2013	Retired. Formerly General Manager, Fleetwood Homes of TN, Inc., Gallatin, TN
Ronald K. Jones.	July 1, 2016	Executive Director, Trevecca Towers Nashville
Tre Hargett[(2)]	January, 2013	Secretary of State
David H. Lillard, Jr.[(2)]	January, 2013	State Treasurer
Janis McNeely	July 1, 2013	Retired. Formerly, Relationship Manager, First Tennessee Home Loans, Nashville, TN
Lisa Reid	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
Benjie Shuler	July 1, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	July 1, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson[(2)]	January, 2013	Comptroller of the Treasury
Mary Chatman	(4)	Springfield, TN

(1) The Board of Directors at-large position appointed by the Speaker of the House is currently vacant.

(2) Ex officio member.

(3) Serves at pleasure of Governor.

(4) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 231 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since October 16, 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Ronald L. Erickson, C.P.A. – Director of Internal Audit since 2000. THDA employee since 2000. Formerly, Tennessee Department of General Services (1984-2000); Comptroller of the Treasury, Division of Municipal Audit (1980-1984). B.B.A., Austin Peay State University.

Lindsay Hall – Senior Director of Single Family Programs since January 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Cheryl Jett – Senior Director of Multifamily Programs since January 2012. THDA employee since 2001. Formerly, Statistical Analyst, Tennessee Department of Mental Health and Developmental Disabilities (2001); Tennessee Housing Development Agency (1998-2001); B.S., Louisiana State University; MBA, Golden Gate University; U.S. Air Force (1987-1991).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Trent Ridley – Chief Financial Officer since 2006. THDA employee since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

Laura Sinclair – Chief Program Officer since 2011. THDA employee since 2006. Formerly, Columbia National Mortgage (1998-2000); Tennessee Housing Development Agency (1997-1998); New Mexico Mortgage Finance Authority (1994-1997); North American Mortgage Co. (1992-1994); CBS Commercial Real Estate Co. (1990-1991); PaineWebber Mortgage Finance Co. (1984-1990). B.A., University of New Mexico.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in eight (8) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Homeownership Program and any of the other general bond resolutions or mortgage loan programs of THDA. The Housing Program Fund originally contained, among other things, state tax revenue statutorily directed to THDA for the HOUSE Program, a statutorily authorized grant program administered by THDA that is not related to the General Resolution, the Homeownership Program or any of the other general bond resolutions or mortgage loan programs of THDA. The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings. These funds are not pledged as security for the Bonds. See Appendix E under the heading "THDA Funds," for a description of each of these statutorily created funds.

While amounts on deposit in the Assets Fund are not specifically pledged as security for bonds issued under the General Resolution or any other bond resolution of THDA, the Assets Fund is a general asset of THDA and may, subject to the respective terms of the Act, the General Resolution, or any other general bond resolution of THDA, serve as supplemental security for bonds issued under any such general bond resolutions. As a result of transfers required by the State and subsequent action by THDA, no amounts are currently on deposit in the Assets Fund. See "SECURITY AND SOURCES OF PAYMENT OF BONDS – Security of Bonds and Sources of Payment" herein for a description of sources of payment for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal year ending June 30, 2012.

Payment of THDA Operating Expenses, Including Program Expenses

THDA administers certain federal programs such as the low income housing tax credit program, the Section 8 voucher program and the HOME program and pays operating expenses associated with these programs from administrative fees earned or other fees charged in connection with the administration of these programs. Neither investment earnings from the Assets Fund nor amounts in the General Resolution have been used to pay the operating expenses associated with these programs.

From 1988 to 2002, investment earnings from amounts on deposit in the Assets Fund, as supplemented with investment earnings on other THDA funds, were a primary source for paying THDA operating and administrative costs and expenses, including staff salaries, Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and substantially all other expenses associated with the Homeownership Program and the other general bond resolutions and mortgage loan programs of THDA. Investment earnings from amounts on deposit in the Assets Fund were annually transferred by THDA to the Housing Program Fund, from which referenced expenses were paid. Although such investment earnings on amounts on deposit in the Assets Fund no longer exist due to the transfers from the Assets Fund to the State General Fund described above, THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriters' fees, Trustee's fees, servicing fees, foreclosure cost and other similar costs) and other THDA operating and administrative costs and expenses from the Housing Program Fund and other available funds under the 1974 General Resolution and the General Resolution. In the future, however, THDA expects to use more of the amounts available under the General Resolution and the 1974 General Resolution for the payment of Program Expenses in addition to the payment of Costs of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Regardless of THDA's best efforts and in the event of additional transfers, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

State Budget

The State approved budget for fiscal year 2012-2013, which begins July 1, 2012, and ends June 30, 2013 (the "FY 2012-2013 Budget"), is balanced and includes no redirection or transfer of THDA resources to the State General Fund. The budgeted revenue growth rates for fiscal year 2012-2013 are 3.56% in total taxes and 3.74% in the General Fund, before consideration of tax reductions enacted in the 2012 legislative session. (Reduction of the sales tax rate on grocery food from 5.5% to 5.25% and elimination of the State gift tax will increase the growth rate necessary to achieve the budgeted revenue estimates in fiscal year 2012-2013.)

On an accrual basis, August 2012 is the first month of fiscal year 2012-2013. Tax collections for August were $814.8 million in total, which is $13.8 million below the budgeted estimate for the month. General Fund collections were $659.5 million or $6.3 million below the August budgeted estimate. The growth rate for total taxes over August 2011 was 1.01% and for the General Fund 1.61%.

Accrual tax collections for fiscal year 2011-2012 have not been finalized. On a cash basis, year-to-date state tax collections for the 12 months of the fiscal year were $563.8 million more than the July 1, 2011, budgeted estimate, and the General Fund collections were $543.0 million more than budgeted. The FY 2011-2012 mid-year revised budget (at January 2012) assumed an over-collection of $209.6 million in General Fund taxes for FY 2011-2012. Therefore, the amount over-collected in the 12 months year-to-date, above and beyond the revised 12-month over-collection estimate, is $333.4 million in the General Fund ($543.0 million minus $209.6 million).

On a cash basis, actual revenue growth rates for the 12 months of fiscal year 2011-2012, compared with the 12 months of the previous fiscal year, are 8.25% in total taxes and 9.35% in the general fund.

Reserves are available as an additional hedge against a revenue shortfall. The Rainy Day Fund was at $306 million at June 30, 2012, and is projected to be $356 million at June 30, 2013.

If projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State

General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 58,864 active members in TCRS in the state and higher education employee group at June 30, 2012. This total includes 220 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees in the state and higher education group, including THDA employees, are noncontributory.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The last valuation was performed as of July 1, 2011.

Actuarial Valuation

At July 1, 2011, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.555 billion, resulting in a funded ratio of 88.30%. The unfunded actuarial liability would have been $2.520 billion if based on the market value of assets. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2011, and ending June 30, 2012, is 14.91% based on the actuarial valuation performed as of July 1, 2009. The July 1, 2011, actuarial valuation establishes the employer contribution rate of 15.03% for the two year period beginning July 1, 2012, and ending June 30, 2014.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2013	15.03%	$12,909,900*	$1,990,358*	1.45%
2012	14.91	12,151,100	1,811,729	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2012, the salary of THDA employees totaled $12,151,000, which represents 0.48% of the $2.509 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred market losses that have been actuarially smoothed are recognized over the next ten years.

GASB Exposure Draft Amending Statement 27

The Governmental Accounting Standards Board (GASB) has issued an exposure draft amending GASB statement number 27 relative to accounting and reporting for pensions. If adopted as proposed, it would separate pension accounting from pension funding, which heretofore have been tied together. The amendment proposes a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, the amendment proposes a methodology for measuring the pension liability to be presented in the employer's financial statement. No prediction can be made as to whether and in what form it might be adopted and as to any actual effects. However, financial statement presentation will not affect the pension funding methodologies described herein.

Other Post-Employment Benefits

Certain Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2011, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $2,919,000 and the annual required contribution for THDA is approximately $358,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2014. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution and the 2009 General Resolution. THDA funds which are not pledged under the General Resolution, the 1974 General Resolution or the 2009 General Resolution can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2012-2A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2012-2B Bonds and the Issue 2012-2C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2012-2B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2012-2C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned the Offered Bonds a rating of Aa1 and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business ("S&P") has assigned the Offered Bonds a rating of AA+. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's and Standard & Poor's. THDA has furnished to Moody's and Standard & Poor's certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 2009 General Resolution, and the 1974 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2012-2 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2012-2 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in "FINANCIAL STATEMENTS" below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under "HOMEOWNERSHIP PROGRAM BONDS," "HOMEOWNERSHIP PROGRAM LOANS," and "FINANCIAL SUMMARY OF HOMEOWNERSHIP PROGRAM," including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, (ii) contained in Appendix E hereto and (iii) annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Debt Service Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on any credit enhancement reflecting financial difficulties; (v) substitution of credit or liquidity providers, if any, for the Offered Bonds, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax-exempt status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2012-2 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2012-2 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2012-2 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2012-2 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the years ended June 30, 2011, and June 30, 2010, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the nine months ended March 31, 2012, and March 31, 2011. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

UNDERWRITING

Morgan Keegan & Company Inc. ("Morgan Keegan"), Citigroup Global Markets Inc., RBC Capital Markets, LLC, J.P. Morgan Securities LLC, Wells Fargo Bank, N.A., and FTN Financial Capital Markets (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at a purchase price of 100% of the principal amount thereof. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $657,319.00. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

On April 2, 2012, Raymond James Financial, Inc. ("RJF"), the parent company of Raymond James & Associates, Inc. ("Raymond James"), acquired all of the stock of Morgan Keegan from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James I Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution agreement with Raymond James for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Offered Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets

Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Offered Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase the Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the Underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Offered Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and First Tennessee Brokerage, Inc. is a wholly-owned subsidiary of First Tennessee Bank National Association.

FTN Financial Capital Markets has entered into a distribution agreement with First Tennessee Brokerage, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Tennessee Brokerage, Inc.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

September 30, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2011, and June 30, 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other

responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2011, and June 30, 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the schedule of funding progress are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we will issue a report dated September 30, 2011, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2011 and June 30, 2010. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2011, THDA has originated over 106,000 single-family mortgage loans in its 38-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements

of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at http://tennessee.gov/finance/act/cafr.html.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2011

- Total assets decreased by $180.0 million, or 6.2 %.
- Total liabilities decreased by $181.2 million, or 7.6%.
- Net assets (the amount that total assets exceeds total liabilities) were $520.0 million. This is an increase of $1.2 million, or 0.2%, from fiscal year 2010.
- Cash and cash equivalents decreased $193.9 million, or 38.4%.
- Total investments increased $23.8 million, or 11.2%.
- Bonds and notes payable decreased $176.7 million, or 7.6%.
- THDA originated $231.1 million in new loans, which is a decrease of $113.0 million, or 32.8%, from the prior year.

Year Ended June 30, 2010

- Total assets increased by $354.8 million, or 13.9 %.
- Total liabilities increased by $346.0 million, or 16.9%.
- Net assets (the amount that total assets exceeds total liabilities) were $518.8 million. This is an increase of $8.8 million, or 1.7%, from fiscal year 2009.
- Cash and cash equivalents increased $361.0 million, or 251.8%.
- Total investments decreased $139.2 million, or 39.7%.
- Bonds and notes payable increased $344.6 million, or 17.4%.
- THDA originated $344.0 million in new loans, which is an increase of $129.5 million, or 60.4%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Current assets	$ 304,429	$ 397,864	$ 313,017
Capital assets	157	79	29
Other noncurrent assets	2,430,331	2,516,989	2,247,094
Total assets	2,734,917	2,914,932	2,560,140
Current liabilities	150,534	193,765	145,096
Noncurrent liabilities	2,064,427	2,202,405	1,905,071
Total liabilities	2,214,961	2,396,170	2,050,167
Invested in capital assets	157	79	29
Restricted net assets	517,587	514,383	508,036
Unrestricted net assets	2,212	4,300	1,908
Total net assets	$ 519,956	$ 518,762	$ 509,973

2011to 2010

- THDA's total net assets increased $1.2 million, or 0.2%, from $518.8 million at June 30, 2010 to $520.0 million at June 30, 2011. While various factors accounted for this change, the most significant factors include a decrease in interest expense, an increase in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, an increase in other program expenses, and a decrease in federal grant administration fees.

- Mortgage loans receivable increased $3.8 million, or 0.2%, from $2,115.6 million at June 30, 2010 to $2,119.4 million at June 30, 2011. During FY 2011, single-family mortgage loan originations decreased $113.0 million, or 32.8% from $344.1 million in FY 2010 to $231.1 million in FY 2011. Conversely, mortgage loan prepayments (which includes loans in which a foreclosure sale has occurred) increased $0.9 million, or 0.5%, from $179.3 million in FY 2010 to $180.2 million in FY 2011.

- Total liabilities decreased $181.2 million, or 7.6%, from $2,396.2 million at June 30, 2010 to $2,215.0 million at June 30, 2011. The decrease is primarily due to a reduction in the amount of bonds issued during fiscal year 2011 as compared to fiscal year 2010, as well as an increase in the redemption of bonds as compared to fiscal year 2010.

2010 to 2009

- THDA's total net assets increased $8.8 million, or 1.7%, from $510.0 million at June 30, 2009 to $518.8 million at June 30, 2010. This resulted from operating revenues that exceeded operating expenses.

- Mortgage loans receivable increased $116.2 million, or 5.8%, from $1,999.4 million at June 30, 2009 to $2,115.6 million at June 30, 2010. This increase resulted from mortgage loan originations that exceeded mortgage loan prepayments and repayments.

- Total liabilities increased $346.0 million, or 16.9%, from $2,050.2 million at June 30, 2009 to $2,396.2 million at June 30, 2010. The increase is primarily due to a increase in the amount of bonds issued during fiscal year 2010 as compared to fiscal year 2009, primarily, the issuance of bonds in the Housing Finance Program Bonds Resolution.

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2011	2010	2009
Operating revenues			
Mortgage interest income	$ 119,406	$ 118,572	$ 119,500
Investment income	6,156	14,517	17,905
Other	17,041	17,588	14,186
Total operating revenues	142,603	150,677	151,591
Operating expenses			
Interest expense	88,301	93,154	93,103
Other	38,905	32,677	29,931
Total operating expenses	127,206	125,831	123,034
Operating income	15,397	24,846	28,557
Nonoperating revenues (expenses)			
Grant revenues	355,754	254,417	186,800
Grant expenses	(369,957)	(270,474)	(199,132)
Total nonoperating revenues (expenses)	(14,203)	(16,057)	(12,332)
Change in net assets	$ 1,194	$ 8,789	$ 16,225

2011 to 2010

Total operating revenues decreased $8.1 million from $150.7 million for the year ended June 30, 2010 to $142.6 million for the year ended June 30, 2011. The primary reasons for this decrease are as follows:

- Investment income decreased $8.4 million, or 57.6%, from $14.5 million in 2010 to $6.2 million in 2011. This decrease is primarily due to a decrease in the fair value of investments of $4.9 million in FY 2011 as compared to an increase in the fair value of investments of $1.7 million in FY 2010.

- Federal grant administration fees decreased $1.2 million, or 8.1%, from $15.1 million in 2010 to $13.9 million in 2011. This primarily resulted from a decrease in federal administrative fees earned on the Section 8 tenant-based HCV program.

For the year ended June 30, 2011, total operating expenses increased $1.4 million, or 1.1%, from $125.8 million in 2010 to $127.2 million in 2011. The primary reasons for this increase are as follows:

- Interest expense decreased $4.9 million, or 5.2%, from $93.2 million in 2010 to $88.3 million in 2011. This decrease is primarily due to a decrease in bonds payable during FY 2011.

- Other program expenses increased $5.4 million, or 84.6%, from $6.4 million in 2010 to $11.9 million in 2011. There were several factors that contributed to this increase, among which were an increase in expenses related to mortgage loan foreclosures and incurring administrative expenses in administering ARRA grants as well as in implementing the Hardest Hit Fund (HHF).

2010 to 2009

For the year ended June 30, 2010, total operating revenues decreased $.9 million from $151.6 million for the year ended June 30, 2009, to $150.7 million for the year ended June 30, 2010.

For the year ended June 30, 2010, total operating expenses increased $2.8 million, or 2.3%, from $123.0 million in 2009 to $125.8 million for the year ended June 30, 2010.

While the total net assets for fiscal year 2010 increased $8.8 million from the previous year, the non-monetary change in the fair value of investments contributed $3.8 million toward this increase. When considered without these non-monetary components, net assets would have increased $5.0 million.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2011	2010	2009
Bonds payable	$ 2,140,486	$ 2,316,748	$ 1,972,561
Notes payable	3,250	3,672	3,250
Total bonds and notes payable	$ 2,143,736	$ 2,320,420	$ 1,975,811

Year Ended June 30, 2011

Total bonds and notes payable decreased $176.7 million, or 7.6%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $201.9 million, with activity arising from three bond issues.

Year Ended June 30, 2010

Total bonds and notes payable increased $344.6 million, or 17.4%, due primarily to an increase in the issuance of THDA's bonds. During the fiscal year, THDA issued debt totaling

$551.0 million, with activity arising from four bond issues. During FY 2010, THDA participated in the New Issue Bond Program (NIBP) as established by the United States Treasury Department. Principal redemptions during FY 2010 totaled $203.6 million.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	60,000,000	Bond Issue 2009-B, Subseries B-3

As of June 30, 2011, the amount of bonds remaining in the Issue 2009-B1 escrowed bonds was $94,710.000.

Considering the investment requirements for the NIBP escrowed bonds as established by the United States Treasury Department, the proceeds of these escrowed bonds are presented on the Statements of Net Assets as Non-Current Assets, Restricted Assets, Cash and Cash Equivalents. Bonds issued under the NIBP have been placed in the Housing Finance Program Bonds resolution.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

There were no revisions to THDA's bond ratings during FY 2011 or FY 2010.

Debt Limits
In accordance with *Tennessee Code Annotated* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2011	FY 2010	FY 2009 and Prior	Total
Funding Sources:				
THDA	$ 6,000,000	$ 6,000,000	$ 18,000,000	$ 30,000,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 2,100,000	$ 3,500,000
Ramp Program (UCP)	-	-	50,000	50,000
Ramp Program	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	-	300,000
Homebuyer Education Initiative	-	-	300,000	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	6,000,000	10,000,000
Competitive Grants	3,150,000	3,150,000	13,500,000	19,800,000
Totals	**$ 6,000,000**	**$ 6,000,000**	**$ 22,350,000**	**$ 34,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2011, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2011, 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/singlefamily/hochoices.html.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2011, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,725	521	39,122,105	1.95%
90+ Days Past Due	26,725	1,085	81,167,263	4.06%
In Foreclosure	26,725	308	24,127,169	1.15%

As of June 30, 2010, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,756	657	46,015,708	2.46%
90+ Days Past Due	26,756	1,293	95,704,596	4.83%
In Foreclosure	26,756	136	10,466,566	0.51%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 203,071	$ 270,188
Investments (Note 2)	-	14,579
Receivables:		
Accounts	23,750	28,463
Interest	12,854	13,258
First mortgage loans	49,947	48,601
Due from federal government	14,807	22,775
Total current assets	304,429	397,864
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	107,502	234,268
Investments (Note 2)	196,928	181,751
Investment interest receivable	2,261	2,169
Investments (Note 2)	38,857	15,643
First mortgage loans receivable	2,069,473	2,066,997
Deferred charges	12,327	13,209
Advance to local government	2,983	2,952
Capital assets:		
Furniture and equipment	517	346
Less accumulated depreciation	(360)	(267)
Total noncurrent assets	2,430,488	2,517,068
Total assets	2,734,917	2,914,932
LIABILITIES		
Current liabilities:		
Warrants / wires payable (Note 3)	10,913	8,297
Accounts payable	5,121	6,617
Accrued payroll and related liabilities	472	443
Compensated absences	477	494
Interest payable	45,076	47,267
Escrow deposits	528	585
Prepayments on mortgage loans	1,662	1,862
Notes payable (Note 4)	3,250	-
Bonds payable (Note 4)	83,035	128,200
Total current liabilities	150,534	193,765
Noncurrent liabilities:		
Notes payable (Note 4)	-	3,672
Bonds payable (Note 4)	2,057,451	2,188,548
Compensated absences	517	451
Net OPEB obligation (Note 9)	994	794
Escrow deposits	4,248	4,393
Arbitrage rebate payable	1,217	4,547
Total noncurrent liabilities	2,064,427	2,202,405
Total liabilities	2,214,961	2,396,170
NET ASSETS		
Invested in capital assets	157	79
Restricted for single family bond programs (Note 5 and Note 7)	504,874	504,955
Restricted for grant programs (Note 5)	9,560	6,274
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,154
Unrestricted (Note 7)	2,212	4,300
Total net assets	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
OPERATING REVENUES		
Mortgage interest income	$ 119,406	$ 118,572
Investment income:		
Interest	11,042	12,846
Net increase (decrease) in the fair value of investments	(4,886)	1,671
Federal grant administration fees	13,916	15,136
Fees and other income	3,125	2,452
Total operating revenues	142,603	150,677
OPERATING EXPENSES		
Salaries and benefits	15,190	13,841
Contractual services	2,625	3,315
Materials and supplies	226	321
Rentals and insurance	97	90
Other administrative expenses	465	502
Other program expenses	11,878	6,433
Interest expense	88,301	93,154
Mortgage service fees	7,601	7,394
Issuance costs	730	723
Depreciation	93	58
Total operating expenses	127,206	125,831
Operating income	15,397	24,846
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	355,754	253,712
Other grants revenue	-	705
Federal grants expenses	(355,862)	(253,605)
Local grants expenses	(14,095)	(16,869)
Total nonoperating revenues (expenses)	(14,203)	(16,057)
Change in net assets	1,194	8,789
Total net assets, July 1	518,762	509,973
Total net assets, June 30	$ 519,956	$ 518,762

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Cash flows from operating activities:		
Receipts from customers	$ 352,565	$ 338,749
Receipts from federal government	14,241	15,117
Other miscellaneous receipts	3,125	2,575
Acquisition of mortgage loans	(231,061)	(344,054)
Payments to service mortgages	(7,601)	(7,394)
Payments to suppliers	(21,317)	(11,543)
Payments to federal government	(3,331)	128
Payments to employees	(15,266)	(13,422)
Net cash provided (used) by operating activities	91,355	(19,844)
Cash flows from non-capital financing activities:		
Operating grants received	363,397	245,158
Negative cash balance implicitly financed (repaid)	2,616	(4,153)
Proceeds from sale of bonds	201,856	550,973
Proceeds from issuance of notes	-	500
Operating grants paid	(370,436)	(266,217)
Cost of issuance paid	(1,907)	(2,237)
Principal payments	(371,942)	(203,603)
Interest paid	(90,953)	(93,775)
Net cash provided (used) by non-capital financing activities	(267,369)	226,646
Cash flows from capital and related financing activities:		
Purchases of capital assets	(172)	(108)
Net cash (used) by capital and related financing activities	(172)	(108)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	282,923	450,136
Purchases of investments	(311,750)	(309,431)
Investment interest received	11,000	13,557
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	130	91
Net cash provided (used) by investing activities	(17,697)	154,353
Net increase (decrease) in cash and cash equivalents	(193,883)	361,047
Cash and cash equivalents, July 1	504,456	143,409
Cash and cash equivalents, June 30	$ 310,573	$ 504,456

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2011 AND JUNE 30, 2010
(Expressed in Thousands)

	2011	2010
Reconciliation of operating income to		
net cash provided (used) by operating activities:		
Operating income	$ 15,397	$ 24,846
Adjustments to reconcile operating income to		
net cash provided (used) by operating activities:		
Depreciation and amortization	823	781
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,716	(7,506)
(Increase) decrease in mortgage interest receivable	352	(269)
(Increase) in first mortgage loans receivable	(3,854)	(116,213)
(Increase) decrease in due from federal government	325	(19)
(Increase) in deferred charges	(4,076)	(2,237)
Decrease in other receivables	-	123
Increase (decrease) in accounts payable	(1,420)	533
Increase in accrued payroll / compensated absences	278	116
(Decrease) in deferred revenue	-	(37)
Increase (decrease) in arbitrage rebate liability	(3,331)	1,401
Investment income included as operating revenue	(6,156)	(14,517)
Interest expense included as operating expense	88,301	93,154
Total adjustments	75,958	(44,690)
Net cash provided (used) by operating activities	$ 91,355	$ (19,844)
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ (3,643)	$ 3,789
Total noncash investing, capital, and financing activities	$ (3,643)	$ 3,789

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both

restricted and unrestricted resources are available for use, generally it is the agency's policy to use the restricted resources first.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the New Issue Bond Program (NIBP) 2009-B escrowed bond investments.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

The NIBP 2009-B escrowed bond investments are restricted for use in the 2009 resolution. These invested funds are restricted to be released, converted and blended with market rate bonds.

f. Bond Issuance Costs and Refunding Costs

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond Refunding Costs: The agency amortizes bond refunding costs using the straight-line method. Bonds payable is reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments

include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2011, the bank balance was $6,806,625. At June 30, 2010, the bank balance was $4,327,770. All bank balances at June 30, 2011 were insured, except the Bank of New York Mellon (BNYM) accounts. All bank balances at June 30, 2010 were insured. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2011, $4,304,256

was in the BNYM. Of this amount, $4,054,256 was above the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.tn.gov/treasury.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities due to the absence of credit risk. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2011		**June 30, 2010**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$146,532,606	2.052	$110,758,327	1.464
U.S. Agency Discount	0	N/A	40,000,000	0.000
U.S. Treasury Coupon	89,252,190	5.248	91,214,027	5.898
U.S. Treasury Discount	94,789,957	0.073	214,769,030	0.000
Total	$330,574,753	1.803	$456,741,384	1.030

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.6875 of par on April 17, 2009. Although these securities were scheduled to mature on April 17, 2024, these bonds were called on July 17, 2010. The fair value of these securities on June 30, 2010, was $2,001,594 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,865,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on November 12, 2009. Although these securities were scheduled to mature on November 12, 2024, these bonds were called on August 12, 2010. The fair value of these securities on June 30, 2010, was $1,871,995 which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 6, 2010. Although these securities were scheduled to mature on January 6, 2025, these bonds were called on July 6, 2010. The fair value of these securities on June 30, 2010, was $5,001,563 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.50 of par on January 28, 2010. Although these securities were scheduled to mature on January 28, 2025, these bonds were called on January 28, 2011. The fair value of these securities on June 30, 2010, was $2,532,933 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on May 27, 2010. Although these securities were scheduled to mature on November 27, 2015, these bonds were called on December 23, 2010. The fair value of these securities on June 30, 2010, was $1,011,875 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.75 of par on August 26, 2010, and mature on August 26, 2022. The fair value of these securities on June 30, 2011, is $1,490,622 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.25% on August 26, 2013, to 3.5% on August 26, 2016, to 4.0% on August 26, 2019, to 6.0% on August 26, 2020, and to 8.0% on August 26, 2021. This investment is callable quarterly beginning on August 26, 2011, and ending on November 26, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.73 of par on September 30, 2010, and mature on September 30, 2015. The fair value of these securities on June 30, 2011, is $2,004,608 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.125% with a step-up option to 2.5% on September 30, 2012. This investment is callable quarterly beginning on March 30, 2011, and ending on September 30, 2012.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on September 29, 2010, and mature on September 29, 2025. The fair value of these securities on June 30, 2011, is $1,998,572 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on September 29, 2011, to 3.0% on September 29, 2012 and to 6.0% on September 29, 2013. This investment is callable quarterly beginning on December 29, 2010, and ending on December 29, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.55 of par on August 4, 2010, and mature on August 4, 2025. The fair value of these securities on June 30, 2011, is $1,971,350 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.0% with a step-up option to 3.5% on August 4, 2013, to 4.0% on August 4, 2016, to 5.0% on August 4, 2019, to 6.0% on August 4, 2021, to 7.0% on August 4, 2023, and to 8.0% on August 4, 2024. This investment is callable quarterly beginning on February 4, 2011 and ending on February 4, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on September 30, 2010, and mature on September 30, 2020. The fair value of these securities on June 30, 2011, is $2,007,976 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.5% on March 31, 2011, and to 4.0% on September 30, 2011. This investment is callable quarterly beginning on March 30, 2011 and ending on December 20, 2013.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on October 15, 2010, and mature on October 15, 2025. The fair value of these securities on June 30, 2011, is $2,000,916 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on October 15, 2011, to 5.0% on October 15, 2015, and to 6.0% on October 15, 2020. This investment is callable quarterly beginning on April 15, 2011 and ending on July 15, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on January 28, 2026. The fair value of these securities on June 30, 2011, is $2,996,115 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.25% with a step-up option to 5.0% on January 28, 2013, and to 6.0% on January 28, 2016. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 9, 2011, and mature on February 9, 2021. The fair value of these securities on June 30, 2011, is $3,003,411 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on February 9, 2013. This investment is callable quarterly beginning on August 9, 2011 and ending on November 9, 2013.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011, and mature on July 28, 2016. The fair value of these securities on June 30, 2011, is $1,001,257 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on January 28, 2014. This investment is callable quarterly beginning on July 28, 2011 and ending on January 28, 2014.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 16, 2011, and mature on February 16, 2021. The fair value of these securities on June 30, 2011, is $4,004,460 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 4.0% on August 16, 2011, and to 6.0% on February 16, 2016. This investment is callable quarterly beginning on August 16, 2011 and ending on February 16, 2014.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.60 of par on June 17, 2011, and mature on December 17, 2025. The fair value of these securities on June 30, 2011, is $977,172 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 3.75% with a step-up option to 4.0% on December 17, 2015, to 4.25% on December 17, 2019, to 4.5% on December 17, 2021, to 5.0% on December 17, 2022, to 6.0% on December 17, 2023, and to 8.0% on December 17, 2024. This investment is callable quarterly beginning on September 17, 2011 and ending on December 17, 2013.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 30, 2011, and mature on June 30, 2016. The fair value of these securities on June 30, 2011, is $3,965,880 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.375% with a step-up option to 1.75% on June 30, 2013, to 2.0% on June 30, 2014, to 2.5% on December 30, 2014, to 3.0% on June 30, 2015, to 4.0% on September 30, 2015, to 5.0% on December 30, 2015, and to 6.0% on March 30, 2016. This investment is callable quarterly beginning on September 30, 2011 and ending on December 30, 2013.

The agency purchased $3,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.92 of par on May 6, 2011, and mature on July 14, 2015. The fair value of these securities on June 30, 2011, is $3,500,522 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.00% with a step-up option to 2.0% on July 14, 2011, to 3.0% on July 14, 2012, to 4.0% on July 14, 2013, and to 5.0% on July 14, 2014. This investment is callable quarterly beginning on July 14, 2011 and ending on July 14, 2014.

The agency purchased $2,150,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on April 27, 2011, and mature on April 27, 2026. The fair value of these securities on June 30, 2011, is $2,166,542 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.5% with a step-up option to 6.0% on April 27, 2013. This investment is callable quarterly beginning on July 27, 2011 and ending on October 27, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.75 of par on May 18, 2011, and mature on May 18, 2026. The fair value of these securities on June 30, 2011, is $2,005,234 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 6.0% on May 18, 2013. This investment is callable quarterly beginning on May 18, 2012 and ending on November 18, 2014.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2011 and June 30, 2010 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2011					
		U.S. Treasury / Agency[1]	**Credit Quality Rating**		
Investment Type	**Fair Value**		**AAA**	**AA-2**	**Not Rated[3]**
U.S. Agency Coupon	$146,532,606		$140,738,006	$5,176,721	$617,879
U.S. Treasury Coupon	89,252,190	$89,252,190			
U.S. Treasury Discount	94,789,957	94,789,957			
Repurchase Agreements	100,000,000				100,000,000
Total	$430,574,753	$184,042,147	$140,738,006	$5,176,721	$100,617,879

June 30, 2010						
		U.S. Treasury / Agency[1]	**Credit Quality Rating**			
Investment Type	**Fair Value**		**AAA**	**AA-2**	**A-1+[2]**	**Not Rated[3]**
U.S. Agency Coupon	$110,758,327		$104,877,194	$5,226,172		$654,961
U.S. Agency Discount	40,000,000				$40,000,000	
U.S. Treasury Coupon	91,214,027	$91,214,027				
U.S. Treasury Discount	214,769,030	214,769,030				
Repurchase Agreements	124,000,000					124,000,000
Total	$580,741,384	$305,983,057	$104,877,194	$5,226,172	$40,000,000	$124,654,961

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2011		June 30, 2010	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$24,769,777	5.75	$51,165,877	8.81
Federal Home Loan Mortgage Corp	$32,375,496	7.52	N/A	N/A
Federal National Mortgage Assoc	$75,255,894	17.48	$73,222,727	12.61
Repurchase Agreements – Morgan Stanley Dean Witter	$60,000,000	13.93	$101,000,000	17.39
Repurchase Agreements – UBS	$40,000,000	9.29	$23,000,000	3.96

[1] This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. As stated in GASB Statement 40, these are not considered to have credit risk.
[2] A-1+ is the highest rating category for short-term debt.
[3] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are primarily for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$75,280	$93,060
Less: Deferred Amount on Refundings				(2,579)	(2,730)
Net Mortgage Finance Program Bonds				$72,701	$90,330

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
1996-5	7/1/99-7/1/2028	$60,000	3.85 to 5.75	$ -0-	$17,480
1997-1	7/1/99-7/1/2028	57,885	4.00 to 5.40	-0-	17,285
1997-2	7/1/2000-7/1/2029	50,000	3.20 to 5.20	-0-	11,450
1998-1	7/1/2001-7/1/2030	50,000	3.95 to 5.40	-0-	11,885
1998-2	7/1/2000-7/1/2029	30,000	4.00 to 5.375	-0-	5,625
1998-3	7/1/2000-7/1/2031	80,000	3.70 to 6.15	-0-	13,355
1999-1	7/1/2001-7/1/2031	41,000	3.95 to 6.25	-0-	5,850
1999-2	7/1/2001-7/1/2031	150,000	4.25 to 5.70	-0-	17,150
2000-2	7/1/2001-7/1/2031	110,000	5.00 to 7.93	-0-	16,290
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	56,585	61,045
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	17,840	21,255
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	16,145	19,855
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	24,950	29,115
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	28,420	33,865
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	19,965	23,145
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	28,265	32,615
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	32,995	38,555
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	39,750	46,495
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	51,950	60,715
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	55,070	64,665
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	63,655	72,745
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	62,830	75,235
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	66,840	79,910
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	62,950	76,240
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	70,720	83,515
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	75,135	87,615

BONDS ISSUED AND OUTSTANDING

(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOMEOWNERSHIP PROGRAM BONDS					
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	94,160	107,360
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	114,055	131,330
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	118,230	135,560
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	47,050	53,810
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	37,405	45,040
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	68,525	82,595
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	21,185	29,390
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	46,795	49,450
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	70,085	75,000
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	115,295	-0-
Total Homeownership Program Bonds		$3,019,555		$1,506,850	$1,732,490
Plus: Unamortized Bond Premiums				15,315	21,689
Less: Deferred Amount on Refundings				(3,387)	(3,086)
Net Homeownership Program Bonds				$1,518,778	1,751,093

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2011	Ending Balance 6/30/2010
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.900 to 4.625	$97,540	$100,000
2009-B	7/1/2041	300,000	Variable	94,710	214,710
2010-A	1/1/2011-7/1/2041	74,710	0.600 to 5.0	155,435	160,000
2010-B	7/1/2011–7/1/2041	40,000	0.45 to 4.50	99,625	-0-
2011-A	7/1/2011-7/1/2041	40,000	0.45 to 4.50	100,000	-0-
Total Housing Finance Program Bonds		$554,710		$547,310	$474,710
Plus: Unamortized Bond Premiums				1,805	730
Less: Deferred Amount on Refundings				(108)	(115)
Net Housing Finance Program Bonds				$549,007	$475,325
Net Total All Issues				$2,140,486	$2,316,748

The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA may release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The interest rate on the 2009-B bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2011 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2012	$78,021	$90,083	$168,104
2013	50,000	89,091	139,091
2014	50,865	87,530	138,395
2015	51,550	85,803	137,353
2016	53,635	83,911	137,546
2017 – 2021	231,488	389,628	621,116
2022 – 2026	332,608	333,122	665,730
2027 – 2031	245,998	257,470	503,468
2032 – 2036	320,252	196,089	516,341
2037 – 2041	432,373	84,174	516,547
2042	299,770	3,743	303,513
Total	$2,146,560	$1,700,644	$3,847,204

The debt principal in the preceding table is $6,074,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the year ended June 30, 2011, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $12,260,000, in the Homeownership Program in the amount of $317,390,000 and in the Housing Finance Program in the amount of $5,780,000. The respective carrying values of the bonds were $12,214,245, $321,059,321 and $5,768,558. This resulted in an expense to the Mortgage Finance Program of $45,755 and to the Housing Finance Program of $11,442 and in income to the Homeownership Program of $3,669,321.

On October 13, 2010, the agency issued $120,700,000 in Homeownership Program Bonds, Issue 2010-1. On November 1, 2010, the agency used $99,835,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $99,835,000 early redemption). The carrying amount of these bonds was $99,371,651. The refunding resulted in a difference of $463,349 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $22,227,781 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $10,476,679.

During the year ended June 30, 2010, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,695,000 and in the Homeownership Program in the amount of $168,625,000. The respective carrying values of the bonds were $10,651,667 and

$170,939,715. This resulted in an expense to the Mortgage Finance Program of $43,333 and in income to the Homeownership Program of $2,314,715.

On June 17, 2010, the agency issued $74,710,000 in Housing Finance Program Bonds, Issue 2010-A. On June 17, 2010, the agency used $20,595,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $20,595,000 early redemption). The carrying amount of these bonds was $20,478,986. The refunding resulted in a difference of $116,014 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $5,910,703 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,812,047.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2011.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
Notes Payable	$3,672	$-0-	($422)	$3,250	$3,250
Bonds Payable	2,300,260	200,700	(371,520)	2,129,440	83,035
Plus: Unamortized Bond Premiums	22,419	1,156	(6,455)	17,120	-0-
Less: Deferred Amount on Refundings	(5,931)	(1,099)	956	(6,074)	-0-
Compensated Absences	945	66	(17)	994	477
Net OPEB Obligation	794	200	(-0-)	994	-0-
Escrow Deposits	4,978	903	(1,105)	4,776	528
Arbitrage Rebate Payable	4,547	2,552	(5,882)	1,217	-0-
Deferred Revenue	-0-	1,231	(1,231)	-0-	-0-
Total	$2,331,684	$205,709	($385,676)	$2,151,717	$87,290

The following table is a summary of the long-term liability activity for the year ended June 30, 2010.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Notes Payable	$3,250	$500	($78)	$3,672	$-0-
Bonds Payable	1,954,075	549,710	(203,525)	2,300,260	128,200
Plus: Unamortized Bond Premiums	25,377	1,263	(4,221)	22,419	-0-
Less: Deferred Amount on Refundings	(6,891)	(125)	1,085	(5,931)	-0-
Compensated Absences	1,072	117	(244)	945	494
Net OPEB Obligation	602	235	(43)	794	-0-
Escrow Deposits	4,884	4,535	(4,441)	4,978	585
Arbitrage Rebate Payable	3,146	2,043	(642)	4,547	-0-
Deferred Revenue	37	76	(113)	-0-	-0-
Total	$1,985,552	$558,354	($212,222)	$2,331,684	$129,279

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provided temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2009, after which the notes were to be available to reissue. Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency was allowed to hold its outstanding notes purchased from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2010; however, the notes matured on August 12, 2010. In accordance with the Financial Accounting Standards Board Statement 76 Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest is being charged quarterly at 3% with the principal maturing on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 at 3% for the Preserve Loan Program, which is part of the Housing Trust

Fund. Principal and interest are paid monthly with the principal maturing on August 4, 2012, however the note was paid off on June 17, 2011.

The activity of the promissory note is also included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state’s website at www.tn.gov/treasury/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS’ Board of Trustees. The agency’s contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were $1,585,654, $1,295,272, and $1,201,303. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2011, and June 30, 2010, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated,* Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated,* Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-101. In previous fiscal years, prior to reaching the age of 65 all members had the option of choosing a preferred

provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2011, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

Special Funding Situation. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy. The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; 25 years, $37.50; and 20 years, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2011	June 30, 2010
Annual Required Contribution (ARC)	$358	$351
Interest on the Net OPEB Obligation	36	25
Adjustment to the ARC	(34)	(24)
Annual OPEB cost	360	352
Amount of contribution	(160)	(160)
Increase in Net OPEB Obligation	200	192
Net OPEB obligation-beginning of year	794	602
Net OPEB obligation-end of year	$994	$794

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2009	State Employee Group Plan	$ 449	29%	$ 602
6/30/2010	State Employee Group Plan	$ 352	45%	$ 794
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2010, was as follows (Thousands):

Actuarial valuation date	7/01/2010
Actuarial accrued liability (AAL)	$ 3,316
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 3,316
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 8,640
UAAL as a percentage of covered payroll	38%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2010, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10 percent for fiscal year 2011. The rate decreased to 9.5 percent for fiscal year 2012 and then reduced by decrements of .5 percent per year to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2011, the State of Tennessee made payments of $3,525 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2010, made payments of $2,657. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.html.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2011	Mortgage Finance Program	$ 3,085,000
	Homeownership Program	$46,515,000
	Housing Finance Program	$ 2,580,000
	Total	$52,180,000

b. On August 5, 2011, Standard and Poor's (S&P) downgraded its rating on U.S. long term debt from AAA to AA+. On August 8, 2011, S&P downgraded Fannie Mae, Freddie Mac and the 10 Federal Home Loan Banks (FHLBs) from an AAA rating to AA+.

c. Housing Finance Program Bonds, Issue 2011-B, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-B	7/1/2012-1/1/2028	$40,000	0.250 to 4.500
TOTAL ALL ISSUES		$40,000	

d. Housing Finance Program Bonds, Issue 2009-B, Subseries B-4, were sold on August 25, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-4	7/1/2041	$60,000	2.92
TOTAL ALL ISSUES		$60,000	

e. Housing Finance Program Bonds, Issue 2011-C, were authorized by the Board of directors on September 27, 2011, not to exceed $65,290,000.

f. Housing Finance Program Bonds, Issue 2009-B, Subseries B-5, were authorized by the Board of directors on September 27, 2011, not to exceed $34,710,000.

g. Homeownership Program Bonds, Issue 2011-1, were authorized by the Board of directors on September 27, 2011, not to exceed $150,000,000.

h. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

October 1, 2011	Mortgage Finance Program	$ 3,530,000
	Homeownership Program	$49,400,000
	Housing Finance Program	$ 4,420,000
	Total	$57,350,000

Note 13. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF INDEPENDENT AUDITOR'S REPORT

a. Housing Finance Program Bonds, Issue 2011-C, were sold on November 3, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-C	1/1/2012-1/1/2028	$65,290	0.400 to 4.300
TOTAL ALL ISSUES		$65,290	

b. Housing Finance Program Bonds, Issue 2009-B, Subseries B-5, were sold on November 3, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2009-B, Subseries B-5	7/1/2041	$34,710	2.470
TOTAL ALL ISSUES		$34,710	

c. Homeownership Program Bonds, Issue 2011-1, were sold on December 1, 2011. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2011-1	7/1/2012-7/1/2042	$141,255	0.600 to 4.650
TOTAL ALL ISSUES		$141,255	

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2012	Mortgage Finance Program	$ 3,280,000
	Homeownership Program	$185,650,000
	Housing Finance Program	$ 5,695,000
	Total	$194,625,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

April 1, 2012	Mortgage Finance Program	$ 3,985,000
	Homeownership Program	$ 55,555,000
	Housing Finance Program	$ 7,995,000
	Total	$ 65,535,000

f. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2012	Mortgage Finance Program	$ 4,000,000
	Homeownership Program	$60,030,000
	Housing Finance Program	$11,420,000
	Total	$75,450,000

g. Housing Finance Program Bonds, Issue 2012-1, were sold on July 27, 2012. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2012-1	1/1/2013-7/1/2042	$133,110	0.800 to 4.500
TOTAL ALL ISSUES		$133,110	

h. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

September 1, 2012	Homeownership Program	$43,865,000
	Total	$43,865,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	State Employee Group Plan	$ -0-	$ 3,902	$ 3,902	0%	$ 9,595	41%
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS
JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,887	$ 27,904	$ 145,552	$ 27,728	$ -	$ 203,071
Receivables:						
Accounts	3	910	21,749	1,088	-	23,750
Interest	74	1,007	9,670	2,103	-	12,854
First mortgage loans	9	5,274	36,755	7,909	-	49,947
Due from federal government	14,807	-	-	-	-	14,807
Due from other funds	2,180	1,400	-	-	-	3,580
Total current assets	18,960	36,495	213,726	38,828	-	308,009
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	4,300	675	7,708	94,819	-	107,502
Investments	-	16,799	165,177	14,952	-	196,928
Investment Interest receivable	-	152	1,966	143	-	2,261
Investments	-	16,077	18,262	4,518	-	38,857
First mortgage loans receivable	1,527	141,770	1,490,872	435,304	-	2,069,473
Deferred charges	1	354	9,621	2,351	-	12,327
Advance to local government	2,983	-	-	-	-	2,983
Capital assets:						
Furniture and equipment	517	-	-	-	-	517
Less accumulated depreciation	(360)	-	-	-	-	(360)
Total noncurrent assets	8,968	175,827	1,693,606	552,087	-	2,430,488
Total assets	27,928	212,322	1,907,332	590,915	-	2,738,497
LIABILITIES						
Current liabilities:						
Warrants / wires payable	10,913	-	-	-	-	10,913
Accounts payable	5,024	7	67	23	-	5,121
Accrued payroll and related liabilities	472	-	-	-	-	472
Compensated absences	477	-	-	-	-	477
Interest payable	-	1,887	36,096	7,093	-	45,076
Escrow deposits	-	528	-	-	-	528
Prepayments on mortgage loans	-	92	1,190	380	-	1,662
Due to other funds	471	2,052	1,057	-	-	3,580
Notes payable	3,250	-	-	-	-	3,250
Bonds payable	-	5,625	70,245	7,165	-	83,035
Total current liabilities	20,607	10,191	108,655	14,661	-	154,114
Noncurrent liabilities:						
Bonds payable	-	67,076	1,448,532	541,843	-	2,057,451
Compensated absences	517	-	-	-	-	517
Net OPEB obligation	994	-	-	-	-	994
Escrow deposits	271	3,977	-	-	-	4,248
Arbitrage rebate payable	-	-	1,217	-	-	1,217
Total noncurrent liabilities	1,782	71,053	1,449,749	541,843	-	2,064,427
Total liabilities	22,389	81,244	1,558,404	556,504	-	2,218,541
NET ASSETS						
Invested in capital assets	157	-	-	-	-	157
Restricted for single family bond programs	-	121,535	348,928	34,411	-	504,874
Restricted for grant programs	17	9,543	-	-	-	9,560
Restricted for Homebuyers Revolving Loan Prograr	3,153	-	-	-	-	3,153
Unrestricted	2,212	-	-	-	-	2,212
Total net assets	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
OPERATING REVENUES						
Mortgage interest income	$ 76	$ 7,073	$ 93,952	$ 18,305	$ -	$ 119,406
Investment income:						
Interest	(81)	1,387	9,235	501	-	11,042
Net (decrease) in the fair value of investments	-	(573)	(4,118)	(195)	-	(4,886)
Federal grant administration fees	13,916	-	-	-	-	13,916
Fees and other income	3,031	94	-	-	-	3,125
Total operating revenues	16,942	7,981	99,069	18,611	-	142,603
OPERATING EXPENSES						
Salaries and benefits	15,190	-	-	-	-	15,190
Contractual services	2,625	-	-	-	-	2,625
Materials and supplies	226	-	-	-	-	226
Rentals and insurance	97	-	-	-	-	97
Other administrative expenses	465	-	-	-	-	465
Other program expenses	1,124	4,460	6,215	81	(2)	11,878
Interest expense	111	4,226	72,065	11,899	-	88,301
Mortgage service fees	-	454	5,918	1,229	-	7,601
Issuance costs	-	38	621	71	-	730
Depreciation	93	-	-	-	-	93
Total operating expenses	19,931	9,178	84,819	13,280	(2)	127,206
Operating income (loss)	(2,989)	(1,197)	14,250	5,331	2	15,397
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	355,482	272	-	-	-	355,754
Federal grants expenses	(355,379)	(483)	-	-	-	(355,862)
Local grants expenses	(485)	(5,733)	(7,877)	-	-	(14,095)
Total nonoperating revenues (expenses)	(382)	(5,944)	(7,877)	-	-	(14,203)
Income (loss) before transfers	(3,371)	(7,141)	6,373	5,331	2	1,194
Transfers (to) other funds	-	-	(15,545)	-	(8)	(15,553)
Transfers from other funds	1,175	7,379	-	6,999	-	15,553
Change in net assets	(2,196)	238	(9,172)	12,330	(6)	1,194
Total net assets, July 1	7,735	130,840	358,100	22,081	6	518,762
Total net assets, June 30	$ 5,539	$ 131,078	$ 348,928	$ 34,411	$ -	$ 519,956

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Cash flows from operating activities:						
Receipts from customers	$ -	$ 23,424	$ 300,712	$ 28,429	$ -	$ 352,565
Receipts from federal government	14,241	-	-	-	-	14,241
Receipts from other funds	-	1,972	1,057	-	-	3,029
Other miscellaneous receipts	3,031	94	-	-	-	3,125
Acquisition of mortgage loans	-	(9,315)	(2,150)	(219,596)	-	(231,061)
Payments to service mortgages	-	(454)	(5,918)	(1,229)	-	(7,601)
Payments to suppliers	(6,476)	(4,429)	(10,359)	(55)	2	(21,317)
Payments to federal government	-	-	(3,054)	(199)	(78)	(3,331)
Payments to other funds	(3,029)	-	-	-	-	(3,029)
Payments to employees	(15,266)	-	-	-	-	(15,266)
Net cash provided (used) by operating activities	(7,499)	11,292	280,288	(192,650)	(76)	91,355
Cash flows from non-capital financing activities:						
Operating grants received	363,125	272	-	-	-	363,397
Transfers in (out)	1,175	7,379	(15,545)	6,999	(8)	-
Negative cash balance implicitly financed (repaid)	2,616	-	-	-	-	2,616
Proceeds from sale of bonds	-	-	120,700	81,156	-	201,856
Operating grants paid	(356,343)	(6,216)	(7,877)	-	-	(370,436)
Cost of issuance paid	-	-	(989)	(918)	-	(1,907)
Principal payments	(422)	(17,780)	(346,340)	(7,400)	-	(371,942)
Interest paid	(111)	(4,481)	(79,360)	(7,001)	-	(90,953)
Net cash provided (used) by non-capital financing activities	10,040	(20,826)	(329,411)	72,836	(8)	(267,369)
Cash flows from capital and related financing activities:						
Purchases of capital assets	(172)	-	-	-	-	(172)
Net cash (used) by capital and related financing activities	(172)	-	-	-	-	(172)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	63,883	201,160	25,026	-	290,069
Purchases of investments	-	(63,317)	(218,284)	(37,295)	-	(318,896)
Investment interest received	44	1,408	9,095	453	-	11,000
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	1	16	113	-	130
Net cash provided (used) by investing activities	44	1,975	(8,013)	(11,703)	-	(17,697)
Net increase (decrease) in cash and cash equivalents	2,413	(7,559)	(57,136)	(131,517)	(84)	(193,883)
Cash and cash equivalents, July 1	3,774	36,138	210,396	254,064	84	504,456
Cash and cash equivalents, June 30	$ 6,187	$ 28,579	$ 153,260	$ 122,547	$ -	$ 310,573

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2011
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Single Family Mortgage Notes	Totals
Reconciliation of operating income to						
net cash provided (used) by operating activities:						
Operating income (loss)	$ (2,989)	$ (1,197)	$ 14,250	$ 5,331	$ 2	$ 15,397
Adjustments to reconcile operating income to						
net cash provided (used) by operating activities:						
Depreciation and amortization	93	38	621	71	-	823
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	587	4,577	(448)	-	4,716
(Increase) decrease in mortgage interest receivable	(74)	179	1,480	(1,233)	-	352
(Increase) decrease in first mortgage loans receivable	(1,307)	6,507	198,892	(207,946)	-	(3,854)
Decrease in due from federal government	325	-	-	-	-	325
(Increase) decrease in deferred charges	-	46	(4,133)	11	-	(4,076)
Decrease in interfund receivables	-	1,972	1,057	-	-	3,029
(Decrease) in interfund payables	(3,029)	-	-	-	-	(3,029)
Increase (decrease) in accounts payable	(988)	(252)	(350)	170	-	(1,420)
Increase in accrued payroll / compensated absences	278	-	-	-	-	278
(Decrease) in arbitrage rebate liability	-	-	(3,054)	(199)	(78)	(3,331)
Investment income included as operating revenue	81	(814)	(5,117)	(306)	-	(6,156)
Interest expense included as operating expense	111	4,226	72,065	11,899	-	88,301
Total adjustments	(4,510)	12,489	266,038	(197,981)	(78)	75,958
Net cash provided (used) by operating activities	$ (7,499)	$ 11,292	$ 280,288	$ (192,650)	$ (76)	$ 91,355
Noncash investing, capital, and financing activities:						
(Decrease) in fair value of investments	-	(303)	(3,135)	(205)	-	(3,643)
Total noncash investing, capital, and financing activities	$ -	$ (303)	$ (3,135)	$ (205)	$ -	$ (3,643)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
JUNE 30, 2011
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,162	$ 17,660	$ 27,822	$ 82	$ 27,904
Receivables:					
Accounts	343	562	905	5	910
Interest	825	156	981	26	1,007
First mortgage loans	4,897	377	5,274	-	5,274
Due from other funds	-	1,400	1,400	-	1,400
Total current assets	16,227	20,155	36,382	113	36,495
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	675	-	675	-	675
Investments	16,799	-	16,799	-	16,799
Investment interest receivable	152	-	152	-	152
Investments	617	12,411	13,028	3,049	16,077
First mortgage loans receivable	139,269	2,501	141,770	-	141,770
Deferred charges	354	-	354	-	354
Total noncurrent assets	157,866	14,912	172,778	3,049	175,827
Total assets	174,093	35,067	209,160	3,162	212,322
LIABILITIES					
Current liabilities:					
Accounts payable	-	7	7	-	7
Interest payable	1,887	-	1,887	-	1,887
Escrow deposits	-	-	-	528	528
Prepayments on mortgage loans	89	3	92	-	92
Due to other funds	1,400	652	2,052	-	2,052
Bonds payable	5,625	-	5,625	-	5,625
Total current liabilities	9,001	662	9,663	528	10,191
Noncurrent liabilities:					
Bonds payable	67,076	-	67,076	-	67,076
Escrow deposits	-	1,538	1,538	2,439	3,977
Total noncurrent liabilities	67,076	1,538	68,614	2,439	71,053
Total liabilities	76,077	2,200	78,277	2,967	81,244
NET ASSETS					
Restricted for single family bond programs	98,016	23,324	121,340	195	121,535
Restricted for grant programs	-	9,543	9,543	-	9,543
Total net assets	$ 98,016	$ 32,867	$ 130,883	$ 195	$ 131,078

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

March 31, 2012

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET ASSETS
(Expressed in Thousands)
(Unaudited)

March 31, 2012
(with comparative totals as of March 31, 2011)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
ASSETS						
Current assets:						
Cash and cash equivalents	$ -	$ 17,594	$ 121,389	$ 58,316	$ 197,299	$ 303,613
Investments	-	588	2,176	-	2,764	-
Receivables:						
Accounts	-	1,306	22,822	3,286	27,414	31,983
Interest	13	957	9,051	2,792	12,813	12,556
First mortgage loans	158	4,944	35,167	10,887	51,156	49,236
Due from federal government	7,063	-	-	-	7,063	10,991
Due from other funds	2,857	10	-	-	2,867	2,214
Total current assets	10,091	25,399	190,605	75,281	301,376	410,593
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	6,775	32	2,460	119	9,386	8,226
Investments	-	13,664	170,658	21,163	205,485	198,230
Investment interest receivable	-	237	2,434	207	2,878	3,340
Investments	-	19,660	32,436	26,804	78,900	30,308
First mortgage loans receivable	1,408	135,647	1,335,011	565,484	2,037,550	2,063,269
Deferred charges	-	301	8,660	3,373	12,334	12,543
Advance to local government	3,001	-	-	-	3,001	2,978
Capital assets:						
Furniture and equipment	517	-	-	-	517	346
Less accumulated depreciation	(360)	-	-	-	(360)	(267)
Total noncurrent assets	11,341	169,541	1,551,659	617,150	2,349,691	2,318,973
Total assets	21,432	194,940	1,742,264	692,431	2,651,067	2,729,566
LIABILITIES						
Current liabilities:						
Warrants / wires payable	8,323	-	-	-	8,323	14,596
Accounts payable	-	2	-	-	2	2
Compensated absences	518	-	-	-	518	494
Interest payable	-	825	16,220	5,898	22,943	21,474
Escrow deposits	-	461	-	-	461	502
Prepayments on mortgage loans	-	7	1,108	401	1,516	1,819
Due to other funds	-	-	2,867	-	2,867	2,214
Bonds payable	-	7,320	84,660	18,480	110,460	107,005
Total current liabilities	8,841	8,615	104,855	24,779	147,090	148,106
Noncurrent liabilities:						
Notes payable	-	-	-	-	-	3,591
Bonds payable	-	55,600	1,292,571	623,579	1,971,750	2,056,683
Compensated absences	547	-	-	-	547	451
Net OPEB obligation	1,029	-	-	-	1,029	794
Escrow deposits	292	3,353	-	-	3,645	4,196
Arbitrage rebate payable	-	-	-	-	-	434
Total noncurrent liabilities	1,868	58,953	1,292,571	623,579	1,976,971	2,066,149
Total liabilities	10,709	67,568	1,397,426	648,358	2,124,061	2,214,255
NET ASSETS						
Invested in capital assets	157	-	-	-	157	79
Restricted for single family bond programs	-	119,230	344,837	44,073	508,140	500,982
Restricted for grant programs	-	8,142	-	-	8,142	11,096
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154	3,154
Unrestricted	7,410	2	-	-	7,412	-
Total net assets	$ 10,721	$ 127,374	$ 344,837	$ 44,073	$ 527,005	$ 515,311

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Expressed in Thousands)
(Unaudited)

	For the Nine Months Ended March 31, 2012 (with comparative totals as of March 31, 2011)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
OPERATING REVENUES						
Mortgage interest income	$ -	$ 4,806	$ 63,298	$ 19,691	$ 87,795	$ 90,440
Investment income:						
Interest	4	982	6,819	912	8,717	8,275
Net increase (decrease) in the fair value of investments	-	(161)	552	(251)	140	(6,633)
Federal grant administration fees	11,061	-	-	-	11,061	8,298
Fees and other income	2,702	203	-	-	2,905	2,134
Total operating revenues	13,767	5,830	70,669	20,352	110,618	102,514
OPERATING EXPENSES						
Salaries and benefits	11,634	-	-	-	11,634	11,071
Contractual services	1,734	-	-	-	1,734	1,688
Materials and supplies	132	-	-	-	132	159
Rentals and insurance	75	-	-	-	75	47
Other administrative expenses	330	-	-	-	330	347
Other program expenses	733	3,337	4,648	167	8,885	8,794
Interest expense	50	2,740	49,788	14,911	67,489	65,762
Mortgage service fees	-	324	3,990	1,373	5,687	5,725
Issuance costs	-	24	437	90	551	529
Total operating expenses	14,688	6,425	58,863	16,541	96,517	94,122
Operating income (loss)	(921)	(595)	11,806	3,811	14,101	8,392
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	202,538	917	-	-	203,455	277,776
Federal grants expenses	(199,649)	(1,022)	-	-	(200,671)	(279,243)
Local grants expenses	(66)	(3,876)	(5,894)	-	(9,836)	(10,376)
Total nonoperating revenues (expenses)	2,823	(3,981)	(5,894)	-	(7,052)	(11,843)
Income (loss) before transfers	1,902	(4,576)	5,912	3,811	7,049	(3,451)
Transfers (to) other funds	-	-	(10,003)	-	(10,003)	(42,499)
Transfers from other funds	3,280	872	-	5,851	10,003	42,499
Change in net assets	5,182	(3,704)	(4,091)	9,662	7,049	(3,451)
Total net assets, July 1	5,539	131,078	348,928	34,411	519,956	518,762
Total net assets, End of period	$ 10,721	$ 127,374	$ 344,837	$ 44,073	$ 527,005	$ 515,311

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2012
(with comparative totals as of March 31, 2011)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
Cash flows from operating activities:						
Receipts from customers	$ 37	$ 17,504	$ 224,462	$ 40,251	$ 282,254	$ 265,197
Receipts from federal government	11,386	-	-	-	11,386	8,298
Receipts from other funds	-	-	1,810	-	1,810	551
Other miscellaneous receipts	2,702	203	-	-	2,905	2,134
Acquisition of mortgage loans	-	(7,303)	(4,047)	(156,388)	(167,738)	(174,130)
Payments to service mortgages	-	(324)	(3,990)	(1,373)	(5,687)	(5,725)
Payments to suppliers	(3,520)	(3,313)	(5,539)	(202)	(12,574)	(16,564)
Payments to federal government	-	-	(1,216)	-	(1,216)	(4,113)
Payments to other funds	(1,148)	(662)	-	-	(1,810)	(551)
Payments to employees	(12,231)	-	-	-	(12,231)	(11,773)
Net cash provided (used) by operating activities	(2,774)	6,105	211,480	(117,712)	97,099	63,324
Cash flows from non-capital financing activities:						
Operating grants received	209,957	917	-	-	210,874	289,560
Transfers in (out)	3,280	872	(10,003)	5,851	-	-
Negative cash balance implicitly financed (repaid)	(2,590)	-	-	-	(2,590)	6,299
Proceeds from sale of bonds	-	-	142,494	105,888	248,382	161,436
Operating grants paid	(203,989)	(4,898)	(5,894)	-	(214,781)	(294,373)
Cost of issuance paid	-	-	(1,098)	(1,145)	(2,243)	(1,508)
Principal payments	(3,250)	(9,895)	(281,565)	(12,695)	(307,405)	(310,450)
Interest paid	(50)	(3,690)	(69,693)	(16,203)	(89,636)	(91,414)
Net cash provided (used) by non-capital financing activities	3,358	(16,694)	(225,759)	81,696	(157,399)	(240,450)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	36,149	144,986	80,730	261,865	240,323
Purchases of investments	-	(37,347)	(166,270)	(109,481)	(313,098)	(263,653)
Investment interest received	4	834	6,147	652	7,637	7,708
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	5	3	8	131
Net cash provided (used) by investing activities	4	(364)	(15,132)	(28,096)	(43,588)	(15,491)
Net increase (decrease) in cash and cash equivalents	588	(10,953)	(29,411)	(64,112)	(103,888)	(192,617)
Cash and cash equivalents, July 1	6,187	28,579	153,260	122,547	310,573	504,456
Cash and cash equivalents, End of period	$ 6,775	$ 17,626	$ 123,849	$ 58,435	$ 206,685	$ 311,839

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2012
(with comparative totals as of March 31, 2011)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 3/31/2012	Total 3/31/2011
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (921)	$ (595)	$ 11,806	$ 3,811	$ 14,101	$ 8,392
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	-	24	437	90	551	529
Changes in assets and liabilities:						
(Increase) in accounts receivable	-	(396)	(1,073)	(2,198)	(3,667)	(3,520)
(Increase) decrease in mortgage interest receivable	62	114	823	(493)	506	96
(Increase) decrease in first mortgage loans receivable	(46)	6,453	157,449	(133,158)	30,698	3,067
Decrease in due from federal government	325	-	-	-	325	-
(Increase) decrease in deferred charges	1	29	(824)	(12)	(806)	(2,619)
Decrease in interfund receivables	-	-	1,810	-	1,810	551
(Decrease) in interfund payables	(1,148)	(662)	-	-	(1,810)	(551)
(Decrease) in accounts payable	(728)	(781)	(149)	(2)	(1,660)	(2,185)
(Decrease) in accrued payroll / compensated absences	(365)	-	-	-	(365)	(443)
(Decrease) in arbitrage rebate liability	-	-	(1,216)	-	(1,216)	(4,113)
Investment (income) included as operating revenue	(4)	(821)	(7,371)	(661)	(8,857)	(1,642)
Interest expense included as operating expense	50	2,740	49,788	14,911	67,489	65,762
Total adjustments	(1,853)	6,700	199,674	(121,523)	82,998	54,932
Net cash provided (used) by operating activities	$ (2,774)	$ 6,105	$ 211,480	$ (117,712)	$ 97,099	$ 63,324
Noncash investing, capital, and financing activities:						
Increase (Decrease) in fair value of investments	-	(47)	11,234	(158)	11,029	(5,750)
Total noncash investing, capital, and financing activities	$ -	$ (47)	$ 11,234	$ (158)	$ 11,029	$ (5,750)

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank, Magna Bank and First Horizon Bank (recently purchased by Met Life) (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 80% of THDA's entire portfolio of mortgage loans. Magna Bank and Met Life, through a sub-servicing agreement with U.S. Bank, service the remainder. THDA itself is also permitted to service Program Loans although it has not done so to date. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the

event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The General Homeownership Resolution, as amended (the "General Resolution"), contains various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all the terms and provisions of the General Resolution, to which reference is hereby made and copies of which are available from THDA or the Trustee.

Definitions (Section 1.2)

"Bond" means one of the bonds authenticated and delivered pursuant to the Resolution, including any additional or Refunding Bonds issued pursuant to Article II.

Debt Service Reserve Fund" means the Debt Service Reserve Fund established pursuant to Section 5.1.

"Debt Service Reserve Fund Requirement" means, as of any date of calculation the greater of (i) an amount equal to the aggregate of the respective amounts for each Issue of Bonds established in the Supplemental Resolution authorizing such Issue or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"Fund" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"Interest Payment Date" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"Investment Securities" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but not limited to:

- All direct or fully guaranteed United States Treasury;
- Certificates of beneficial ownership issued by the Farmers Home Administration;
- Participation certificates issued by General Services Administration;
- U.S. Maritime Administration guaranteed Title XI financing;
- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;
- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);
- Local authority bonds of the United States Department of Housing and Urban Development;

- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and
- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)
- Consolidated system-wide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)
- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)
- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);
- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC) - backed issues issued by Student Loan Marketing Association (SLMA);
- Debt obligations issued by Financing Corp. (FICO);
- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least 'A-1' by S&P and 'P-1' by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least 'AA' by S&P and 'Aa' by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least 'aam' or 'AAm-G' by S&P and 'Aaa' by Moody's;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least 'AA' by S&P and 'Aa' by Moody's or commercial paper rated at least 'A-1' by S&P and 'P-1' by Moody's;

(10) Stripped securities

(i) U.S. Treasury STRIPS

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least 'AA' by S&P and 'Aa' by Moody's; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody's.

"Issuance Amount" shall mean the price, exclusive of accrued interest (if any) which is payable on a semiannual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, THDA Costs of Issuance, or similar costs.

"Loan Fund" means the Loan Fund established in Section 5.1.

"Non-Mortgage Receipts" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund or Account established under the Resolution, but shall not include Revenues.

"Outstanding", when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"Program" means the program for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such program is financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"Program Expenses" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans, payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"Program Loan Loss Coverage" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"Projected Cash Flow Statement" means a certificate of an Authorized Officer of THDA setting forth for the current and each succeeding fiscal year in which Bonds are scheduled to be outstanding, THDA's estimate of, among other things: (i) the Revenues, other than Prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds; (ii) the aggregate amount of prepayments of Program Loans which THDA reasonably expects to receive with respect to such Program Loans and which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution; (iii) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rates used in

estimating such amounts; (iv) the amount, if any, expected to be withdrawn from the Debt Service Reserve Fund, provided, the amount on deposit in such Fund is expected to at least equal the Debt Service Reserve Fund Requirement immediately after such withdrawal and the withdrawal is permitted under the General Resolution; (v) the aggregate Debt Service on Outstanding Bonds during such fiscal year; and (vi) all Program Expenses during such fiscal year.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.1.

"Revenues" means all payments, proceeds, rents, charges, and other cash income received by THDA from or on account of any Program Loan including scheduled, delinquent and advance payments of any insurance proceeds with respect to principal and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicer as compensation for services rendered in connection with the Program Loan and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

Resolution Constitutes Contract (Section 2.2)

The General Resolution constitutes a contract between THDA and the holders of the Bonds and the pledges, covenants and agreements to be performed by THDA are for the equal benefit, protection and security of the holders of any and all of the Bonds..

Obligation of Bonds (Section 2.3)

The Bonds will be special limited obligations of THDA payable only from the revenues and assets pledged therefor. These revenues and assets include the following: mortgage receipts; non-mortgage receipts, including interest earned from the investment of funds in the Escrow Fund or any other Fund or Account; and right, title, and interest in and to the Program Loans.

Provisions for Issuance of Bonds (Sections 2.4, 2.6, 7.3, and 7.15)

The General Resolution authorizes Bonds to be issued from time to time in accordance with its terms without limitation as to amount except as provided by law. The Bonds of a Series may be authenticated and delivered only upon receipt by the Trustee of, among other things:

(1) a Bond Counsel's Opinion to the effect, among other things, that the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the General Resolution;

(2) the amount of the proceeds of such Series to be deposited with the Trustee pursuant to the General Resolution (see "Application of Bond Proceeds" below):

(3) except in the case of the initial or a refunding issue, a certificate of an authorized officer stating that THDA is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution and that all other conditions for the issuance of additional Bonds have been met; and

(4) except in the case of a refunding issue, a Projected Cash Flow Statement, as described in Appendix D, showing that the estimated Revenues for each fiscal year in which Bonds will be outstanding, together with any amount scheduled to be withdrawn from the Debt Service Reserve Fund (and permitted to be so withdrawn pursuant to the Resolution), will be sufficient for the payment of the estimated debt service and program expenses for such fiscal year.

Provisions for Refunding Issues (Section 2.7)

Refunding Bonds may be issued to refund any Outstanding Bonds. Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of, among other things, irrevocable instructions to give notice of the redemption of all Bonds to be refunded and to give published notice as required of the redemption of such Bonds and either (i) moneys sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with interest accrued to the Redemption Date, or (ii) direct obligations of, or obligations insured or guaranteed by, the United States of America or certificates of deposit secured by such obligations, which by their terms will provide moneys sufficient to provide for the payment of such Redemption Price and accrued interest. Any such moneys, obligations or certificates are required to be held irrevocably in the Redemption Account established under the General Resolution.

Application of Bond Proceeds (Sections 4.1 and 4.3)

As soon as practicable upon the delivery of each Series of Bonds, other than refunding Bonds, an amount necessary to cause the amount on deposit in the Debt Service Reserve Fund to at least equal the Debt Service Reserve Fund Requirement immediately after such delivery is required to be deposited in the Debt Service Reserve Fund. Proceeds of such Series of Bonds which are not to be deposited in such Fund are to be deposited at the direction of an Authorized Officer.

Amounts in the Loan Fund may not be expended and applied for the financing of a Program Loan unless the note issued to evidence the Program Loan and a mortgage securing the Program Loan have been duly executed and, among other things:

(1) the mortgage securing such Program Loan constitutes a first lien, subject only to Permitted Encumbrances, on the real property or interest therein securing such Program Loan and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

(2) the eligible borrower has entered into a binding agreement with or for the benefit of THDA that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens levied against the premises or any part thereof, and in the case of default in the payment thereof THDA, without notice or demand to the mortgagor, may pay the same and the amount will be a lien on the premises added to the amount of the Program Loan;

(3) the eligible borrower must covenant that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of obtaining the residential housing financed by the Program Loan;

(4) the eligible borrower must covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA and that it will maintain the premises in good repair and comply with all requirements of governmental authorities relating thereto; and

(5) the eligible borrower must obtain a policy of title insurance insuring THDA that the mortgage is valid and enforceable in the full amount of the Program Loan.

(6) the Program Loan must be (i) insured by the Federal Housing Administration, (ii) guaranteed by the Rural Economic Community Development Corp. (formerly Farmers Home Administration) or the Veteran’s Administration, (iii) insured or guaranteed by a successor federal or state agency, (iv) have a principal amount not exceeding 78% of the value of the property securing such Program Loan as determined in an appraisal by or acceptable to THDA, or (v) be insured to the extent of any excess over such percentage by a private mortgage insurance company acceptable to THDA and meeting the requirements of the Resolution.

Deposits and Investments (Sections 4.5, 4.6 and 4.7)

All amounts held by the Trustee, any Paying Agent or any Depository under the General Resolution may be deposited in interest-bearing time deposits, repurchase agreements or certificates of deposit or be the subject of similar banking arrangements with commercial banks, savings and loans or investment dealers and, in addition, any amounts held by the Trustee thereunder may be invested in Investment Securities. All amounts held under the General Resolution which are not held in trust for the payment of particular Bonds or which do not represent an investment of amounts held thereunder must be continuously and fully secured for the benefit of THDA and the holders of the Bonds by lodging Investment Securities with the Trustee or in such other manner as may then be required by applicable federal or state laws regarding the deposit of trust funds. In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Debt Service Reserve Fund Requirement at the time of initial funding from Bond proceeds, the issuance of additional obligations and for any other purpose under the General Resolution, such obligations shall be valued at par if purchased at par value or at amortized value if purchased at other than par value. Valuation shall be made as soon as practicable prior to each interest payment date and at any other time required under the General Resolution and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

Establishment of Funds and Accounts (Section 5.1)

The General Resolution establishes the following special trust funds and accounts which are to be held by the Trustee:

(1) Loan Fund;

(2) Revenue Fund,
Debt Service and Expense Account,
Non-Mortgage Receipts Account, and
Redemption Account;

(3) Debt Service Reserve Fund; and

(4) Escrow Fund.

Loan Fund (Section 5.2)

In addition to proceeds of a Series of Bonds, amounts are required to be deposited in the Loan Fund from the Revenue Fund under certain circumstances as more fully described below (see “Revenue Fund”). Amounts in the Loan Fund may be expended only to pay the cost of financing Program Loans, to pay reasonable and necessary Costs of Issuance, and to make deposits in the Debt Service and Expense Account with respect to capitalized interest. Amounts in the Loan Fund may, however, be transferred to the Revenue Fund if a Projected Cash Flow Statement is delivered to the Trustee. At the direction of THDA, the Trustee may transfer amounts in the Loan Fund to the Redemption Account or apply such amounts directly to the redemption, purchase or retirement of Bonds at any time that such Bonds are subject to redemption or payment from such amounts, but only if there is delivered to the Trustee a Projected Cash Flow Statement and a certificate of an Authorized Officer stating that, in the judgment of THDA, the estimated Revenues available after the payment of estimated Debt Service on the Bonds and Program expenses are greater than they would have been if all or a portion of such amounts had been applied to the financing of Program Loans.

Revenue Fund (Section 5.3)

The General Resolution establishes the following trust accounts within the Revenue Fund: the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account.

Debt Service and Expense Account. All Revenues are to be deposited promptly with a Depository and transmitted to the Trustee at least monthly for deposit in the Debt Service and Expense Account within the Revenue Fund. The Trustee is required to make payments out of the Debt Service and Expense Account to the Paying Agents as follows: (a) on or before each interest payment date, the amounts required for the payment of principal installments, if any, and interest due on the Bonds on such date and (b) on or before the Redemption Date or date of

purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless such interest is otherwise provided for.

Prior to the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee may, and if so directed by THDA is required to, apply any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) as follows: (a) to the purchase of the Bonds for which such Sinking Fund Payment was established, at prices not exceeding the Redemption Price for such Bonds if they are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, or (b) to the redemption of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (a) hereof. Upon such purchase or redemption of any Bond, an amount equal to the principal amount of the Bond so purchased or redeemed will be credited to the Sinking Fund Payment next coming due. The excess of the amounts so credited over the amount of such Sinking Fund Payment will be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise directed by THDA.

As soon as practicable after the forty-fifth day preceding the due date of any Sinking Fund Payment, the Trustee is to proceed to call for redemption on such due date Bonds of the Series and Maturity for which such Sinking Fund Payment was established in a principal amount equal to the amount of such Sinking Fund Payment. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price on the Redemption Date.

Within ninety days after the close of each Fiscal Year, THDA is required to file with the Trustee a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amount to the Loan Fund as provided in clause (b) of this sentence) which states (a) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments made on each interest payment date as described above and (b) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Upon receipt thereof, the Trustee is required to transfer from the Debt Service and Expense Account an amount equal to the amount stated in clause (a) above as follows:

> FIRST: From the amount so available the amount, if any, by which the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service Reserve Fund.
>
> SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.
>
> THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred and if such Projected Cash Flow Statement does not comply with subsection 7.11(C) the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).
>
> FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with THDA's tax covenants described below, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this provision shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph, there shall be excluded from

the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Debt Service Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

The Trustee may at any time, upon the written direction of an Authorized Officer (a) make transfers from the Debt Service and Expense Account to the Debt Service Reserve Fund or the Redemption Account for the purposes of such Fund or Account or (b) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer is to be made, however, unless there is on deposit in the Debt Service and Expense Account and the Non-Mortgage Receipts Account after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment, plus an amount equal to the cumulative amount of prepayments received by THDA during such fiscal year which exceeds the amount of prepayments estimated to be applied to the payment of Debt Service during such fiscal year in the most recent Projected Cash Flow Statement delivered to the Trustee by THDA. In addition no such transfers shall be made until a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses is to be made unless the revenue statement to be delivered to the Trustee for each preceding month as described below shows that accrued Revenues exceed accrued Debt Service.

No payments are required to be made into the Debt Service and Expense Account so long as the amount on deposit therein is sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any purpose of THDA free and clear of the lien of the pledge of the General Resolution.

Redemption Account. There are to be deposited in the Redemption Account any amounts required by the General Resolution to be so deposited and any other amounts available therefor and determined by THDA to be deposited therein. The Trustee is required to apply the amounts deposited in the Redemption Account to the payment, purchase or redemption of Bonds at the earliest practicable Redemption Date as described under “Redemption of Bonds.”

Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, each future Sinking Fund Payment for such Bonds will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Bonds to be so purchased or redeemed bears to the total amount of all such Sinking Fund Payments, unless otherwise directed by THDA.

Non-Mortgage Receipts Account. All Non-Mortgage Receipts received by the Trustee are to be promptly deposited in the Non-Mortgage Receipts Account. The Trustee is required to maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund, the Debt Service Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund. If so directed by THDA, the Trustee must maintain such records separately for each Series of Bonds.

Semi-annually not later than each Interest Payment Date, the Trustee is required to transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of such transfers, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

Any amount remaining in the Non-Mortgage Receipts Account after the semi-annual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account or the Escrow Fund.

Debt Service Reserve Fund (Section 5.4)

If on any Interest Payment Date or Redemption Date, the amounts on deposit in the Revenue Fund and the Redemption Fund are less than the amount required for the payments due on the Bonds on such date, the Trustee is to apply amounts from the Debt Service Reserve Fund to the extent required to make good the deficiency.

If concurrently with the allocation from the Revenue Fund, the amount on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement, the Trustee may, if so directed, transfer the amount of such excess to the Redemption Account.

Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Revenue Fund, is sufficient to pay the principal of and interest on all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof), all amounts on deposit in the Revenue Fund are to be transferred to the Debt Service Reserve Fund. Prior to such transfer, all investments held in the Revenue Fund are to be liquidated and any Bonds constituting a part of such Fund will be deemed paid and canceled.

Escrow Fund (Section 5.5)

There shall be deposited in the Escrow Fund, all amounts required by the Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein.

Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with the Resolution.

Redemption of Bonds (Sections 3.7, 5.3, 6.4 and 6.5)

Bonds may be redeemed from amounts on deposit in the Loan Fund or the Revenue Fund or from other amounts made available by THDA for such purpose. Amounts deposited in the Redemption Account within the Loan Fund must be applied to the redemption of Bonds at the earliest possible time, subject to their terms and the terms of their respective authorizing resolutions. If THDA directs the publication of a notice of redemption from amounts other than amounts in the Redemption Account, THDA is responsible to provide funds for such redemption to the appropriate Paying Agents prior to the date of redemption.

Amounts on deposit in the Revenue Account which are to be applied to the redemption of Bonds may, until the forty-fifth day prior to the date for redemption of such Bonds, be applied to the purchase of such Bonds at prices not exceeding the applicable redemption price, plus accrued interest, unless such Bonds are to be redeemed more than thirteen months from the date of purchase, in which event the purchase price may not exceed par. Any difference between the maximum price payable for such Bonds and the price actually paid is to be deposited in the Debt Service and Expense Account.

The selection of Bonds to be redeemed from the amounts to be applied to the redemption of Bonds of such particular Series and maturity is to be made by the Trustee by lot. For such purpose registered bonds of a denomination greater than $5,000 are to be assigned separate numbers for each $5,000 portion. In the event that the Trustee is required to redeem Appreciation Bonds by lot, the Trustee will assign a separate number to each Appreciation Bond on the basis of its Maturity Amount. The Trustee shall mail, postage prepaid, a copy of the notice of redemption not less than 20 days (or such shorter period as may be acceptable to the provider of a central depository system) prior to the date of redemption to the registered owners of all registered Bonds subject to redemption at the last address of such registered owners appearing on the registry books in respect of the Bonds. Publication of notice of redemption is not required if all Bonds to be redeemed are registered bonds. THDA is not obliged to exchange or transfer Bonds within ten days preceding the giving of notice of redemption and is not obliged to exchange or transfer any Bonds which have previously been called for redemption.

Power as to Bonds and Pledge (Section 7.3)

THDA covenants that it is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the General Resolution and to pledge the assets and revenues purported to be pledged by the General Resolution in the manner and to the extent provided in the General Resolution.

Payment of Bonds (Section 7.4)

THDA covenants that it will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Tax Covenants (Section 7.9)

THDA covenants that (i) it will not permit at any time or times any of the proceeds of the Bonds or other funds of THDA to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in the applicable federal tax law and (ii) it will not permit such proceeds or other funds to be used in such manner as would result in the exclusion of any Bond from the treatment afforded by the applicable federal tax law by reason of the classification of such Bond as a "mortgage subsidy bond" pursuant to the applicable federal tax law or as an "industrial development bond" within the meaning of the applicable federal tax law, except in the case of Bonds held by a "substantial user" or "related person" within the meaning of Section 147(c) of the Code.

Accounts and Reports (Section 7.10)

THDA covenants that it will keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Homeownership Program and all Funds established by the General Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA is required to submit to the Trustee a statement of account for the preceding month setting forth the amount received as Revenues during such month and stating the cumulative amount of Revenues (including individual totals for prepayments and monthly Program Loan receipts) and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

THDA must annually, within ninety days after the close of each fiscal year, file with the Trustee (1) a copy of an annual report for such fiscal year, setting forth its operations and accomplishments during such fiscal year and (2) financial statements of THDA for such fiscal year setting forth in reasonable detail: (a) a balance sheet for THDA and its programs showing the assets and liabilities of the Homeownership Program at the end of such fiscal year, and (b) a statement of revenues and expenses in accordance with the categories or classifications established by THDA so long as such financial statements for the Homeownership Program are separately identified and are consistent with the requirements of the General Resolution and satisfactory to the Trustee. The financial statements shall be accompanied by the certificate of an independent accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles. A copy of each annual Projected Cash Flow Statement and annual report or special report and any accountant's certificate shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Budgets (Section 7.12)

THDA must adopt an annual budget covering its fiscal operations for the succeeding fiscal year not later than the first day of each such fiscal year, and file the same with the Trustee and with such officials of THDA as required under the Act. The annual budget shall at least set forth for such fiscal year the estimated revenues, principal installments and interest due and payable or estimated to become due and payable during such fiscal year and

estimated expenses of the Homeownership Program. THDA at any time may adopt and file with the Trustee an amended annual budget for the remainder of the then current fiscal year in the manner provided in the General Resolution for the adoption of the annual budget. Copies of the annual budget and any amended annual budget must be made available by the Trustee for inspection by any Bondholder.

The Program (Section 7.13)

THDA covenants from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, with the provisions of the General Resolution and with sound banking practices and principles, to use and apply the proceeds of the Bonds (to the extent not reasonably or otherwise required for other purposes of the Homeownership Program) to finance Program Loans, to do all acts and things necessary to receive and collect Revenues sufficient to pay the expenses of the Program and to diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans.

Whenever necessary in order to protect and enforce the interest and security of the holders of the Bonds, THDA covenants to commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof or may otherwise take possession of or acquire such premises.

THDA may sell, assign or otherwise dispose of a Program Loan or the premises to which such Program Loan is related:

(1) in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to provide funds to provide for the redemption or purchase of an amount of Bonds having a value corresponding to the value of such Program Loan; or

(3) if a Projected Cash Flow Statement has been filed with the Trustee giving effect to the proposed sale thereof.

Upon the happening of an Event of Default resulting from nonpayment of the Bonds and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA is required to deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee.

Powers of Amendment (Section 9.2)

Except with respect to certain modifications or amendments that do not require consent of bondholders as described in the General Resolution, any modification or amendment of any provision of the General Resolution or of the rights and obligations of THDA and of the holders of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the General Resolution (a) of the holders of at least two-thirds in principal amount of the Outstanding Bonds, (b) in case less than all of the several Series of Bonds would be affected by such modification or amendment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of each Series so affected, or (c) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Payment, except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment.

Events of Default (Sections 10.1 and 10.10)

It is an "event of default" if: (a) THDA shall default in the payment of the principal or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; (b) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or (c) THDA fails or refuses to comply with the provisions of the General Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions contained therein, in any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

The Trustee must give the Bondholders notice of each event of default known to the Trustee within ninety days, unless such event of default has been remedied or cured, except that, in the case of default in the payment of the principal of or Redemption Price or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee may withhold such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice is to be given by mail: (i) to all registered holders of Bonds, as their names and addresses appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to such holders of Bonds as have filed their names and addresses with the Trustee for that purpose, and (iii) to such other persons as is required by law.

Remedies (Sections 10.2 and 10.3)

Upon the happening and continuance of any event of default specified in clause (a) and (b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in clause (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to an acceleration) shall proceed, in its own name, subject to the General Resolution, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (b) by bringing suit upon the Bonds; (c) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for the holders of the Bonds; (d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; (e) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or (f) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

Except upon the occurrence and during the continuance of an Event of Default under the Resolution, THDA reserves and retains the privilege to receive and, subject to the terms and provisions of the Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder will be deemed to be an indispensable party for such purposes.

In the event that during the continuance of an event of default, the funds held by the Trustee and Paying Agents are insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the General Resolution, are to be applied as follows:

(1) Unless the principal of all of the Bonds has become or been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount

available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds has become or been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bond without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Bondholders' Direction of Remedial Proceedings (Section 10.5)

The holders of a majority in principal amount of the Bonds then Outstanding retain the right, upon a written instruction, to direct the method used by the Trustee in conducting all remedial proceedings, but only if such direction is in accordance with the law and the provisions of the Resolution, and is not unjustly, prejudicial, in the Trustee's opinion, to the remaining Bondholders.

Limitation on Rights of Bondholders (Section 10.6)

No individual Bondholder may initiate legal proceedings to enforce rights under the General Resolution unless such holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such right of action has occurred, and have afforded the Trustee a reasonable opportunity either to exercise the powers granted to it under the General Resolution or to institute such proceedings in its name and unless, also, there has been offered to the Trustee reasonable security and indemnity against costs, expenses and liabilities and the Trustee has refused or neglected to comply with such request within a reasonable time. No provision in the General Resolution on defaults and remedies affects or impairs the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the same.

Compensation of Trustee and Paying Agents (Section 11.5)

THDA is required to pay reasonable compensation to the Trustee and to each Paying Agent for all services rendered under the General Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the General Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under the General Resolution.

Removal of Trustee (Sections 11.8 and 11.9)

The Trustee is required to be removed if so requested by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an event of default, for such cause as THDA may determine in its sole discretion. In either such event, a successor is required to be appointed.

Defeasance (Section 12.1)

If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution,

then the pledge of any revenues and assets thereby pledged and all other rights granted thereby shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys have been set aside and held in trust by Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof will be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Any Bonds shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, THDA has given to the Trustee in form satisfactory to it irrevocable instructions to publish, as provided in the General Resolution, notice of redemption on said date of such Bonds, (b) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Investment Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA has given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither the Investment Securities nor the moneys so deposited with the Trustee nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than (and shall be held in trust for) the payment of the principal or Redemption Price, if applicable, and interest on said Bonds, but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge.

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Outstanding as of August 31, 2012 (unaudited)	Original Net Interest Cost
2009-A	December 23, 2009	$100,000,000	--	$ 89,355,000	3.96%
2009-B[(1)]	December 23, 2009	300,000,000	--	0	[(2)]
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	142,385,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	95,590,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	95,710,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	98,655,000	3.01
2011-C/2009-B-5	November 3, 2011	65,290,000	34,710,000	98,795,000	3.01
TOTAL		$660,000,000	$300,000,000	$620,490,000	

(1) Portions of such Bonds were converted and redesignated as Issue 2009-B, Subseries B-1, Issue 2009-B, Subseries B-2, Issue 2009-B, Subseries B-3, Issue 2009-B, Subseries B-4, and Issue 2009-B, Subseries B-5.

(2) Variable rate, taxable.

As of August 31, 2012, 6,078 mortgage loans in the approximate aggregate principal amount of $606,577,904 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds, and will be available for the general purposes of THDA only as provided in the 2009 General Resolution).

Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $191,885,000 under the 1974 General Resolution which were outstanding as shown on the table below after giving effect to redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Dated	Issued	Outstanding as of August 31, 2012 (unaudited)	Mortgage Rates	Net Interest Cost
2003 Series A	September 4, 2003	$191,885,000	$57,400,000	7.05/7.75	4.90%
TOTAL		$191,885,000	$57,400,000		

As of August 31, 2012, 2,836 mortgage loans in the approximate aggregate principal amount of $136,809,190 were outstanding under the 1974 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution. The Schedule of Financing adopted by THDA for the fiscal year 2012-2013 contemplates a refunding of all bonds currently outstanding under the 1974 General Resolution.

Single Family Program Bond Resolution (the "1981 Resolution")

On February 2, 1994, THDA issued and sold Homeownership Program Bonds, Issue 1994-1 (Taxable) in the aggregate principal amount of $33,500,000 (the "Issue 1994-1 Bonds") the proceeds of which were used to redeem all bonds then outstanding under the 1981 Resolution. All assets under the 1981 Resolution, including mortgages financed with the proceeds of bonds issued under the 1981 Resolution and remaining cash and investments held for the benefit of bondholders under the 1981 Resolution, were transferred out of the 1981 Resolution at the time of the issuance and sale of the Issue 1994-1 Bonds.

While no mortgages or bonds are currently outstanding under the 1981 Resolution, THDA may, in the future, elect to issue new bonds under the 1981 Resolution. The mortgages and investments financed with the proceeds of any new bonds issued under the 1981 Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1981 Resolution.

THDA Funds

Introduction

In 1988, the General Assembly of the State amended THDA's Act to create the Assets Fund, the Housing Program Fund, the Housing Program Reserve Fund, and the HOUSE Program. The funds were created to ensure the stability of the HOUSE Program and to enhance the self-sufficiency of THDA. The Housing Program Fund, the Housing Program Reserve Fund and the HOUSE Program, as well as other activities of THDA described herein, are financially separate from THDA's bond resolutions and loan programs, including the Resolution and the Homeownership Program. See Appendix A for additional financial information. Certain actions by the General Assembly of the State of Tennessee have and may affect amounts in these funds. See "THDA - THDA Funds" for more information.

Assets Fund

The Act established the Assets Fund as a segregated fund and general asset of THDA. In 1989, THDA transferred monies and Mortgage Loans to the Assets Fund from the 1974 General Resolution; however, subsequent actions by the General Assembly resulted in the transfer of all monies in the Assets Fund to the State General Fund. THDA subsequently transferred all Mortgage Loans back to the General Fund of the 1974 General Resolution; consequently, the Assets Fund currently has a zero balance. For a description of these transfers, see "THDA – THDA Funds."

While there are no monies currently in the Assets Fund, the statutory structure of the Assets Fund remains. The statutory structure for the Assets Fund currently provides for the following:

1. Monies in the Assets Fund cannot be used for grant programs, may not be co-mingled with any proceeds of bonds issued by THDA and can be used only for the following purposes:
    a. To invest in investments permitted under State law and THDA's bond resolutions;
    b. To support rental rehabilitation programs supported by federal funds administered by THDA; and
    c. For constructions loans for housing as otherwise authorized by the Act.
2. Investment income and principal from the Assets Fund may be transferred to the Housing Program Fund in accordance with the requirements of the Act.

Housing Program Fund

The Housing Program Fund is the vehicle for funding non-mortgage programs not otherwise funded through federal programs. THDA also pays operating and administrative expenses, including certain Program Expenses of the Homeownership Program, from the Housing Program Fund. See "THDA - THDA Funds" and "ASSUMPTIONS REGARDING OFFERED BONDS - Payment of Program Expenses" for more information.

Essentially, all revenues of THDA derived from sources other than its Homeownership Program or its other bond resolutions are deposited into the Housing Program Fund. These revenues include state tax revenue, if any, and investment income. Specifically, the sources of the monies in the Housing Program Fund[(1)] are:

1. Investment income transferred from the Assets Fund[(2)];

2. Investment income from the Housing Program Fund;

3. Appropriate principal, if any, transferred from the Assets Fund[(2)];

4. Federal funds THDA receives for federal programs it administers; and

5. Fees charged by THDA in connection with its non-mortgage programs, including fees received from the Low Income Housing Tax Credit Program, the multi-family bond authority program and other programs.

THDA receives no funds from the State of Tennessee for operating and administrative expenses. THDA pays most operating and administrative expenses with funds available therefor in the Housing Program Fund. Although THDA is authorized to pay all expenses associated with its loan programs, including Program Expenses of the Homeownership Program, from monies held under THDA's bond resolutions, including the General Resolution, in accordance with their respective terms, THDA has elected to pay only certain expenses, such as Cost of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs from its bond resolutions. THDA currently expects to continue to pay Program Expenses (other than Cost of Issuance, Underwriter's fees, Trustee's fees, servicing fees, foreclosure costs and other similar costs) and all other THDA operating and administrative costs and expenses from the Housing Program Fund to the extent possible. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses, and THDA may elect, in the future, to pay some or all additional Program Expenses from the Resolution. See "THDA - THDA Funds" for more information.

In addition to paying THDA operating and administrative expenses, monies in the Housing Program Fund can be used to (i) pay certain expenses of THDA bond issues; (ii) support future bond issues by providing additional funds to make lower interest rate loans to targeted groups; and (iii) make HOUSE Program grants. See "THDA Activities – HOUSE Program" below for more information. THDA no longer makes HOUSE Program grants.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the Resolution, the 1981 Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the Resolution, the 1981 Resolution, the 1974 General Resolution, the 2009 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

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(1) Previously, state tax revenues, as authorized by T.C.A Section 13-23-402, consisting of 15.15% of the real estate transfer tax levied by T.C.A. Section 67-4-409(a) and 13% of the mortgage recording tax levied by T.C.A. Section 67-4-409(b) were deposited to the Housing Program Fund for HOUSE Program Grants. For fiscal year 1999-2000 and thereafter, these tax revenues are not available to THDA. See "THDA – THDA Funds" for a discussion of amendments to the Act that affect these tax revenues.

(2) The current Asset Fund balance is $0; therefore, no investment income or principal is currently available for transfer to the Housing Program Fund.

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct

and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

HOMEOWNERSHIP PROGRAM LOAN PROCEDURES

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the “Code”). The limits vary from county to county and are periodically adjusted. THDA’s current income limits range from $54,480 to $92,680 depending on household size and geographic location. THDA’s income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA’s acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA’s actual data which justifies a higher limit. THDA’s current maximum acquisition cost limits are either $240,000 or $275,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA’s Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf (“Originating Agents”). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a “first-come, first-serve” basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, not to exceed 1% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and savings and loan associations. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA’s Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a “first-come, first-serve” basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see “Mortgage Eligibility Requirements” below), (ii) yield and investment requirements (see “Requirements Related to Arbitrage” below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions located in Tennessee or in the eight contiguous states to service Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms, commercial banks or savings and loan associations. THDA may also service Program Loans although it has elected only to service multi-family loans made under the 1974 General Resolution to date. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval.

THDA requires monthly reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data.

THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Mortgage Administration and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

November 15, 2012

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Homeownership Program Bonds
$14,355,000 Issue 2012-2A (AMT)
$8,270,000 Issue 2012-2B (Non-AMT)
$75,000,000 Issue 2012-2C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $14,355,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2012-2A (AMT) (the "Issue 2012-2A Bonds"), $8,270,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2012-2B (Non-AMT) (the "Issue 2012-2B Bonds") and $75,000,000 in aggregate principal amount of Homeownership Program Bonds, Issue 2012-2C (Non-AMT) (the "Issue 2012-2C Bonds," and, together with the Issue 2012-2A Bonds and the Issue 2012-2B Bonds, the "Issue 2012-2 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2012-2 Bonds were authorized to be issued pursuant to the Act, the General Homeownership Program Bond Resolution of THDA, adopted June 6, 1985, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 24, 2012, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on October 16, 2012 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA has issued and is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2012-2 Bonds (collectively, the "Homeownership Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2012-2 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2012-2 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2012-2 Bonds in order that interest on the Issue 2012-2 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2012-2 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2012-2 Bonds are valid and legally binding general obligations of THDA, for the payment of which, in accordance with their terms, the full faith and credit of THDA have been legally and validly pledged and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Homeownership Program Bonds, including the Issue 2012-2 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2012-2 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments and to cause its Chairman on or before November 1 of each year to make and deliver to the Governor and Commissioner of Finance and Administration of the State his certificate stating such sum, if any, as may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement provided for by the Resolution pursuant to the Act. The provisions of the Constitution of Tennessee prohibit moneys from being withdrawn from the Treasury except in consequence of an appropriation made by law. However, the General Assembly of the State may validly appropriate the amount of such sum as so certified and upon such appropriation, such amount may validly be paid to THDA for deposit in the Debt Service Reserve Fund established pursuant to the Resolution, although the provisions of the Act do not constitute a legally enforceable obligation upon the State to pay such amounts.

6. The Issue 2012-2 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2012-2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2012-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (iii) interest on the Issue 2012-2B Bonds and the Issue 2012-2C Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iv) interest on the Issue 2012-2B Bonds <u>will be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code and (v) interest on the Issue 2012-2C Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2012-2 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2012-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2012-2 Bonds may have to take interest on such Issue 2012-2 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2012-2 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2012-2 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2012-2 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES

Delinquencies and Foreclosures as of June 30, 2012

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.96%, based on a total of 17,476 Program Loans as of June 30, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2012

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	251	$19,540,317	2.16%	1.97%[4]
VA Guaranteed	9	782,413	1.55	1.14
Privately Insured	26	2,460,226	1.01	0.70
USDA/RD Guaranteed	48	3,177,410	4.18	(5)
Uninsured	8	408,938	1.02	(5)
TOTAL	342	$26,369,304[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 5.24%, based on a total of 17,476 Program Loans as of June 30, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2012

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	726	$54,006,186	6.24%	4.69%[4]
VA Guaranteed	26	1,965,355	4.48	2.82
Privately Insured	77	7,841,444	3.00	1.31
USDA/RD Guaranteed	80	5,733,748	4.18	(5)
Uninsured	6	418,639	0.77	(5)
TOTAL	915	$69,965,371 [2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.72%, based on a total of 17,476 Program Loans as of June 30, 2012 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2012, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2012

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	102	$7,221,817	0.88%	3.29%[4]
VA Guaranteed	4	356,447	0.69	1.57
Privately Insured	10	1,054,288	0.31	1.17
USDA/RD Guaranteed	7	527,823	0.37	(5)
Uninsured	2	168,793	0.00	(5)
TOTAL	125	$9,329,168[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2012

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.75%, based on a total of 17,758 Program Loans as of March 31, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	245	$17,173,531	2.09%	1.71%[4]
VA Guaranteed	4	199,522	0.65	0.93
Privately Insured	29	2,669,811	1.09	0.62
USDA/RD Guaranteed	31	2,120,469	1.58	(5)
Uninsured	1	71,472	0.13	(5)
TOTAL	310	$22,234,805[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.49%, based on a total of 17,758 Program Loans as of March 31, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[2]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	640	$49,505,113	5.45%	4.94%[4]
VA Guaranteed	26	2,051,266	4.26	2.57
Privately Insured	57	6,002,577	2.14	1.36
USDA/RD Guaranteed	67	4,857,883	3.42	(5)
Uninsured	7	487,409	0.89	(5)
TOTAL	797	$62,904,248[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.78%, based on a total of 17,758 Program Loans as of March 31, 2012 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2012, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[2]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	117	$7,966,580	1.00%	2.79%[4]
VA Guaranteed	4	264,338	0.65	1.84
Privately Insured	9	925,065	0.26	1.37
USDA/RD Guaranteed	6	214,901	0.31	(5)
Uninsured	2	186,328	0.13	(5)
TOTAL	138	$9,557,211[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2011

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.53%, based on a total of 18,284 Program Loans as of December 31, 2011 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	343	$25,001,392	2.84%	2.32%[4]
VA Guaranteed	8	511,027	1.25	1.30
Privately Insured	50	4,740,802	1.83	0.80
USDA/RD Guaranteed	58	3,736,202	2.86	(5)
Uninsured	3	248,790	0.37	(5)
TOTAL	462	$34,238,212[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.83%, based on a total of 18,284 Program Loans as of December 31, 2011 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	721	$54,475,800	5.97%	5.28%[4]
VA Guaranteed	23	1,620,854	3.59	2.77
Privately Insured	53	5,522,540	1.94	1.52
USDA/RD Guaranteed	82	5,779,194	4.05	(5)
Uninsured	5	405,763	0.62	(5)
TOTAL	884	$67,804,151[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.36%, based on a total of 18,284 Program Loans as of December 31, 2011 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2011, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	193	$15,135,240	1.60%	2.84%[4]
VA Guaranteed	8	743,526	1.25	1.94
Privately Insured	25	2,305,497	0.73	1.48
USDA/RD Guaranteed	21	1,777,389	1.04	(5)
Uninsured	1	85,612	0.00	(5)
TOTAL	248	$20,047,264[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2011.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2011

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.62%, based on a total of 18,795 Program Loans as of September 30, 2011 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2011, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	362	$26,431,690	2.91%	2.25%[4]
VA Guaranteed	14	1,258,420	2.09	1.40
Privately Insured	48	4,664,710	1.70	0.80
USDA/RD Guaranteed	67	4,890,714	3.21	(5)
Uninsured	1	80,289	0.13	(5)
TOTAL	492	$37,325,823[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2011.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.31%, based on a total of 18.795 Program Loans as of September 30, 2011 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2011 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2011, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	663	$50,791,394	5.33%	4.70%(4)
VA Guaranteed	18	1,285,317	2.68	2.45
Privately Insured	56	5,409,838	1.99	1.49
USDA/RD Guaranteed	69	4,914,388	3.31	(5)
Uninsured	4	306,532	0.51	(5)
TOTAL	810	$62,707,469(2)		

(1) Rounded figures.

(2) Rounded total,

(3) MBA data for Tennessee for the quarter ending September 30, 2011.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.35%, based on a total of 18,795 Program Loans as of September 30, 2011 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2011 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2011, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2011

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	199	$16,304,161	1.60%	2.50%(4)
VA Guaranteed	7	682,035	1.04	1.80
Privately Insured	25	2,587,200	0.64	1.58
USDA/RD Guaranteed	22	1,728,790	1.05	(5)
Uninsured	0	0	0.00	(5)
TOTAL	253	$21,302,186(2)		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ended September 30, 2011.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these

Tennessee Housing Development Agency

Leading Tennessee Home

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2013-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2013-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (ii) interest on the Issue 2013-1B Bonds and the Issue 2013-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2013-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), and (iv) interest on the Issue 2013-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2013-1 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2013-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Residential Finance Program Bonds
$27,920,000 Issue 2013-1A (AMT)
$47,985,000 Issue 2013-1B (Non-AMT)
$140,000,000 Issue 2013-1C (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2013-1A Bonds (the "Issue 2013-1A Bonds"), the Issue 2013-1B Bonds (the "Issue 2013-1B Bonds") and the Issue 2013-1C Bonds (the "Issue 2013-1C Bonds" and, together with the Issue 2013-1A Bonds and the Issue 2013-1B Bonds, the "Issue 2013-1 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F "BOOK-ENTRY-ONLY SYSTEM." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on July 1, 2013, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption at par prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are special limited obligations of the Tennessee Housing Development Agency ("THDA") payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about May 30, 2013.

RBC CAPITAL MARKETS

CITIGROUP **RAYMOND JAMES**

J.P. MORGAN **WELLS FARGO SECURITIES**

FTN FINANCIAL CAPITAL MARKETS

April 18, 2013

† Interest on the Issue 2013-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BONDS
Maturities, Amounts, Interest Rates and Prices

$27,920,000 Issue 2013-1A (AMT)

$27,920,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2014	$2,440,000	0.400%	880461AA6	$2,440,000	0.500	880461AB4
2015	2,445,000	0.875	880461AC2	2,460,000	0.950	880461AD0
2016	2,470,000	1.250	880461AE8	2,485,000	1.350	880461AF5
2017	2,505,000	1.400	880461AG3	2,520,000	1.500	880461AH1
2018	2,540,000	1.900	880461AJ7	2,565,000	1.900	880461AK4
2019	2,590,000	2.150	880461AL2	460,000	2.150	880461AM0

$47,985,000 Issue 2013-1B (Non-AMT)

$15,775,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2023				$ 770,000	2.650%	880461AT5
2024	$2,915,000	2.850%	880461AN8	2,955,000	2.850	880461AP3
2025	3,000,000	3.000	880461AQ1	3,045,000	3.000	880461AS7
2026	3,090,000	3.125	880461BF4			

$32,210,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
January 1, 2031	$32,210,000	3.600%	880461AR9

$140,000,000 Issue 2013-1C (Non-AMT)[†]

$23,435,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2019				$2,160,000	1.750%	880461AU2
2020	$2,650,000	1.950%	880461AV0	2,675,000	2.000	880461AW8
2021	2,705,000	2.250	880461AX6	2,735,000	2.300	880461AY4
2022	2,765,000	2.550	880461AZ1	2,800,000	2.550	880461BA5
2023	2,840,000	2.650	880461BB3	2,105,000	2.650	880461BC1

$116,565,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2038 (PAC)	$64,840,000	3.000%	880461BD9
July 1, 2043	51,725,000	4.000	880461BE7

PRICE OF ISSUE 2013-1C BONDS DUE July 1, 2038 (PAC): 105.990%

PRICE OF ALL REMAINING ISSUE 2013-1 BONDS: 100%

[(1)] The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

[†]Interest on the Issue 2013-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this “Official Statement”), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Caine Mitter & Associates Incorporated
Financial Advisor

OFFICIAL STATEMENT

TENNESSEE HOUSING DEVELOPMENT AGENCY

Residential Finance Program Bonds
$27,920,000 Issue 2013-1A (AMT)
$47,985,000 Issue 2013-1B (Non-AMT)
$140,000,000 Issue 2013-1C (Non-AMT)[†]

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Residential Finance Program Bonds, Issue 2013-1A in the aggregate principal amount of $27,920,000 (the "Issue 2013-1A Bonds"), Issue 2013-1B in the aggregate principal amount of $47,985,000 (the "Issue 2013-1B Bonds") and Issue 2013-1C in the aggregate principal amount of $140,000,000 (the "Issue 2013-1C Bonds" and, together with the Issue 2013-1A Bonds and the Issue 2013-1B Bonds, the "Issue 2013-1 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Residential Finance Program Bond Resolution, adopted by THDA on January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on January 29, 2013, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on April 18, 2013 (the "Issue 2013-1 Supplemental Resolution"). The General Resolution and the Issue 2013-1 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2013-1 Bonds on January 28, 2013. The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of March 31, 2013 (unaudited), bonds in the aggregate principal amount of $1,299,240,000 were outstanding under THDA's Homeownership Program Resolution (the "1985 General Resolution"), bonds in the aggregate principal amount of $51,285,000 were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution"), all of which are expected to be refunded by the Issue 2013-1B Bonds, and bonds in the aggregate principal amount of $600,070,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution").

The Offered Bonds will be the first series of bonds issued under the General Resolution. A portion of the proceeds from the Offered Bonds are expected to be used to refund all bonds currently outstanding under the 1974 General Resolution.

Bonds issued under the Resolution, including the Offered Bonds, are and will be special limited obligations of THDA, payable solely from the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". All bonds to be issued under the Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

[†] Interest on the Issue 2013-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

The revenues and assets of THDA pledged under the Resolution are not pledged as security for bonds issued under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution, respectively, are not pledged as security for the Offered Bonds. See Appendix E for a description of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution.

THDA may, in the future, elect to issue bonds under the General Resolution or under the 1974 General Resolution, the 1985 General Resolution and/or the 2009 General Resolution. No assurances can be given as to whether THDA may elect to issue bonds under any one of the referenced general resolutions in the future or which of the referenced general resolutions may be selected. Any mortgage loans and investments financed with the proceeds of any new bonds issued under any of the referenced general resolutions, except for the General Resolution, and the revenues therefrom will not be pledged to the payment of Bonds under the General Resolution, including the Offered Bonds.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA expects to use the proceeds from the issuance of the Issue 2013-1A Bonds and the Issue 2013-1B Bonds to refund its Issue 2004-1 Bonds issued and outstanding under the 1985 General Resolution and its 2003 Series A Bonds issued and outstanding under the 1974 General Resolution (collectively, the "Prior Bonds"). As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $93,336,246 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of the Transferred Program Loans" for information about the Transferred Program Loans. In addition, other investments allocable to the Prior Bonds in the projected amount of approximately $9,800,000 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on July 1, 2013, at a redemption price of 100% plus accrued interest. No assurance can be provided that the Prior Bonds will actually be refunded.

Issue 2013-1 Bonds are the first bonds issued under the General Resolution. As a result, the Transferred Program Loans will be the initial Program Loans in the Residential Finance Program Loan portfolio. The Transferred Program Loans include only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of March 31, 2013 (unaudited), 1,707 Transferred Program Loans were outstanding having an aggregate outstanding principal balance of approximately $93,336,246. Based on the outstanding principal balance of Transferred Program Loans as of March 31, 2013, approximately 62.97% were FHA insured, approximately 1.55% were VA guaranteed, approximately 15.33% were insured by private mortgage insurance companies, approximately 8.03% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 12.12% were uninsured (i.e. Transferred Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Transferred Program Loans closed prior to July 29, 1999, or Transferred Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "RESIDENTIAL FINANCE PROGRAM LOAN PORTFOLIO –Residential Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

THDA expects that the proceeds of the Issue 2013-1C Bonds will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Bond Reserve Fund, if required. See "APPLICATION OF BOND PROCEEDS."

As used herein, the term "Program Loans" refers to all mortgage loans financed under the General Resolution, including the Transferred Program Loans and mortgage loans to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (or participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described or otherwise referred to in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The

General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2013-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, and certain provisions of the Act, the General Resolution, the Issue 2013-1 Supplemental Resolution and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Issue 2013-1 Supplemental Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee. The General Resolution is attached hereto as Appendix D "2013 GENERAL RESOLUTION". **Certain capitalized terms utilized herein are defined in Appendix D hereto.**

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "BOOK-ENTRY ONLY SYSTEM" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2013-1 Bonds and is payable on July 1, 2013, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

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Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2013-1B Bonds maturing on January 1, 2031, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2026, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2013-1B
Term Bonds Due January 1, 2031

Year	Amount Due January 1	Amount Due July 1
2026		$3,145,000
2027	$3,205,000	3,260,000
2028	3,325,000	3,380,000
2029	3,445,000	3,505,000
2030	3,570,000	3,635,000
2031	1,740,000 (maturity)	

The Issue 2013-1C Bonds maturing on July 1, 2038, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2031, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2013-1C
PAC Term Bonds Due July 1, 2038

Year	Amount Due January 1	Amount Due July 1
2031	$1,960,000	$3,770,000
2032	3,825,000	3,885,000
2033	3,945,000	4,000,000
2034	4,060,000	4,120,000
2035	4,185,000	4,245,000
2036	4,310,000	4,375,000
2037	4,440,000	4,505,000
2038	4,575,000	4,640,000 (maturity)

The Issue 2013-1C Bonds maturing on July 1, 2043, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2039, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2013-1C
Term Bonds Due July 1, 2043

Year	Amount Due January 1	Amount Due July 1
2039	$4,715,000	$4,810,000
2040	4,910,000	5,010,000
2041	5,110,000	5,215,000
2042	5,325,000	5,430,000
2043	5,545,000	5,655,000 (maturity)

Optional Redemption. The Issue 2013-1 Bonds maturing on and after July 1, 2023, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2023, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of PAC Bonds. The Issue 2013-1C Bonds maturing July 1, 2038 (the "PAC Bonds") are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2013-1 Principal Payments (as defined below). Any Excess 2013-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing January 1, 2014; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2013-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds"), as determined by THDA, then available Excess 2013-1 Principal Payments shall first be applied to redeem PAC Bonds up to an amount correlating to the Planned Amortization Amount (as defined below) for the PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2013-1 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the PAC Bonds shall first be applied to redeem PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2013-1 Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the then Outstanding PAC Bonds' proportionate amount of all Issue 2013-1 Bonds then Outstanding.

"Excess 2013-1 Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the PAC Bonds assumed to be redeemed from Excess 2013-1 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 75% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds" for a description of PSA prepayment rates.

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The Planned Amortization Amount for the PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $93,336,246 with an approximate weighted average maturity of 238 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 75% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedule

Date	Planned Amortization Amount
January 1, 2014	$ 2,260,000
July 1, 2014	5,025,000
January 1, 2015	8,285,000
July 1, 2015	12,015,000
January 1, 2016	16,185,000
July 1, 2016	20,530,000
January 1, 2017	24,725,000
July 1, 2017	28,765,000
January 1, 2018	32,655,000
July 1, 2018	36,395,000
January 1, 2019	39,990,000
July 1, 2019	43,440,000
January 1, 2020	46,750,000
July 1, 2020	49,925,000
January 1, 2021	52,965,000
July 1, 2021	55,875,000
January 1, 2022	58,660,000
July 1, 2022	61,320,000
January 1, 2023	63,860,000
July 1, 2023	64,840,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent Issue 2013-1 PAC Bonds are redeemed from amounts on deposit in the Issue 2013-1 Bonds Subaccount of the Loan Fund not applied to finance Program Loans.

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see “ASSUMPTIONS REGARDING THE OFFERED BONDS – Average Life of PAC Bonds.”

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans; (ii) except as otherwise described under the headings “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds”, and “-Mandatory Redemption – 10 Year Rule”, repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the, “Code”), (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds” and (b) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of the PAC Bonds to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedule. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D “2013 GENERAL RESOLUTION”), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) of the preceding paragraph shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be so redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) of the preceding paragraph. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS – THDA Redemption Practices".

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," the Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedule only if there are no other Offered Bonds outstanding.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
May 30, 2013	2.2%
July 1, 2013	9.8
March 4, 2014	17.0
May 30, 2023	100.0

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification. Notwithstanding the foregoing, the 10 Year Rule Requirements do not apply with respect to the Transferred Program Loans allocable to the 2003 Series A Bonds issued under the 1974 General Resolution ("Pre-Ullman Program Loans") nor will such requirement apply to any new Program Loans originated with recycled repayments and prepayments from the Pre-Ullman Program Loans.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on December 1, 2013, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2013-1 Bonds Subaccount of the Loan Fund on November 1, 2013, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2013-1 Supplemental Resolution, including without limitation, provision of a Projected Cash Flow Statement.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Offered Bonds are subject to mandatory redemption on November 30, 2016, to the extent any amounts remain on deposit in the Issue 2013-1 Bonds Subaccount of the Loan Fund on October 1, 2016.

Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding.

Selection By Lot

If less than all of the Issue 2013-1 Bonds of like series and maturity are to be redeemed, the particular Issue 2013-1 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth, in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2013-1 Bonds will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 215,905,000.00
Premium on Issue 2013-1C PAC Bond	3,883,916.00
Transferred Program Loans	93,336,246.00
Transferred Investments	9,810,126.92
TOTAL SOURCES	$ 322,935,288.92
USES	
Deposit to Loan Fund(1)	$ 229,604,641.24
Redemption of Prior Bonds	75,905,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	8,810,126.92
Deposit to Debt Service Reserve Fund	6,900,000.00
Costs of Issuance	350,000.00
Underwriters' Fee	1,365,520.76
TOTAL USES	$ 322,935,288.92

(1) Includes $136,268,395.24 in proceeds from Issue 2013-1C plus approximately $93,336,246.00 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable solely from the revenues and assets of THDA pledged under the Resolution. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution;

(c) All Funds and Accounts created by the Resolution, including the Bond Reserve Fund, and monies and securities therein (see Appendix D “2013 GENERAL RESOLUTION”); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. In accordance with the Act and the Resolution, THDA has established a Bond Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the “Bond Reserve Fund Requirement.” The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each series of Bonds established in the Supplemental Resolution authorizing such series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities. On the date of issuance of the Offered Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, on any Interest Payment Date or Redemption Date, there is not a sufficient amount available in the Revenue Fund and the Redemption Fund, if applicable, to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the extent necessary to make good the deficiency.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds and other outstanding bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D “2013 GENERAL RESOLUTION” for a description of Projected Cash Flow

Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Offered Bonds (the “Projected Cash Flow Statement”). The Projected Cash Flow Statement has been based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $93,336,246, with a weighted average maturity of approximately 236.56 months and a weighted average interest rate of approximately 4.97%, will be allocated to the Offered Bonds upon the refunding of the Prior Bonds and (ii) THDA originates approximately $136,059,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.16%; approximately 12% of which are participations funded with proceeds of the Issue 2013-1 Bonds for which all of the interest is allocable to the Offered Bonds. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2013-1 Bond Subaccount of the Loan Fund and will be used to continue THDA’s program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See “PROGRAM LOANS – Description of Program Loans – Homeownership Choices” and Appendix G “PROGRAM LOAN PROCEDURES” for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2013-1C Bonds will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 4.16%; approximately $15,825,000 of which are participations for which all of the interest is allocable to the Offered Bonds and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans when bonds are sold by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds; however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2013-1C Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from Issue 2013-1 Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds on February 21, 2013. As of April 8, 2013, THDA has committed a total principal amount of approximately $29,400,000 of Program Loans that will be allocated to the Offered Bonds. Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

On July 7, 2011, the U.S. Department of Housing and Urban Development announced changes to Federal Housing Administration and Making Home Affordable Program requirements that direct servicers to extend the period of time during which eligible borrowers may skip part or all of their monthly payments from three or four months to twelve months whenever possible. These requirements became effective on August 1, 2011, and expire two years from the effective date. On the expiration date, all guidelines pertaining to special forbearance will return to original program requirements. At present, none of the Transferred Program Loans are affected by these requirements.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $217 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $40,000 for up to 36 months. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of March 31, 2013, 3,275 loans made under the HHF Program have closed. None of these HHF Program loans have been made with respect to Transferred Program Loans. None of the HHF Program loans are pledged as security for the Bonds.

The Tennessee Attorney General and Reporter participated in the lawsuit brought by 49 states attorneys general against the five largest mortgage loan servicers in the United States. This lawsuit resulted in a settlement under which the affected servicers must, among other things, pay states attorneys general certain sums (the "AG Settlement"). The Tennessee Attorney General and Reporter made $25,000,000 of the AG Settlement amount paid to Tennessee available to THDA for a program to assist borrowers who are at risk of foreclosure due to unexpected medical events. On July 1, 2012, THDA implemented a program that includes all HHF Program requirements described above; however, long term medical hardship is also an eligibility requirement (the "AG Settlement Program"). As of March 31, 2013, 130 loans made under the AG Settlement have closed. None of these AG Settlement Program loans have been made with respect to Transferred Program Loans. None of the AG Settlement Program loans are pledged as security for the Bonds.

In addition to federal governmental actions designed to address economic difficulties, both the federal government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. On February 1, 2012, for example, USDA/RD announced its Single Family Housing

Guaranteed Rural Refinance Pilot Program. The pilot program is intended to assist existing borrowers in refinancing USDA/RD guaranteed mortgage loans with greater speed and ease. Borrowers will be able to secure lower interest rates and payments without the need of obtaining a new appraisal or new property inspections. Additionally, on March 6, 2012, the Obama Administration announced a new streamlined refinancing plan under which FHA, effective June 11, 2012, reduced its upfront and annual mortgage insurance premiums for refinancings of FHA insured mortgage loans originated before June 1, 2009. THDA has not yet determined whether or how these programs may affect the THDA Program Loan portfolio.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the Resolution, the resolutions to be adopted in connection with other series of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "- Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution specifies, and the resolutions to be adopted in connection with other series of Bonds under the General Resolution will specify, when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

The Offered Bonds are the first series of bonds issued under the General Resolution, therefore, the following descriptions of THDA redemption practices relates to general THDA policies.

To the extent THDA has discretion to redeem Bonds and select the maturities and series to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other series of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Bond Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D "2013 GENERAL RESOLUTION" for a description of Program Expenses. THDA expects to pay Costs of Issuance, Underwriters' fees and certain Program Expenses, including ongoing Trustee's fees and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from the other THDA bond resolutions and from other resources available to THDA. No assurances can be provided that THDA will not withdraw funds from the Resolution in the future to pay such expenses. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds". THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0.0% per annum until May 1, 2016, 0.5% per annum until May 1, 2019, 1.0% per annum until May 1, 2023, and 1.5% per annum thereafter; and (iii) funds on deposit in the Issue 2013-1 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0.0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. "150% PSA" assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading “DESCRIPTION OF THE OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds”, and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2013-1 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $93,336,246 of Transferred Program Loans with an approximate weighted average maturity of 236.56 months and an approximate weighted average interest rate of 4.97% will be allocated to the Offered Bonds, (iii) Excess 2013-1 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the Planned Amortization Amounts as described under the heading “DESCRIPTION OF THE OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds” and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see “DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS” herein.

Projected Weighted Average Lives For PAC Bonds

PSA Speed	Average Life (in years)
0%	21.6
25	13.7
50	7.4
75	5.0
100	5.0
200	5.0
300	5.0
400	5.0
500	4.9

RESIDENTIAL FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

Issue 2013-1 will be the first issue of bonds under the Resolution. Prior to Issue 2013-1, THDA originated mortgage loans with the proceeds of bonds issued under the 1974 General Resolution, the 1985 General Resolution and the 2009 General Resolution. For information about bonds outstanding under the 1974 General Resolution, the 1985 General Resolution and the 2009 General Resolution, see Appendix E. The bonds outstanding under the 1974 General Resolution are expected to be refunded by the Issue 2013-1B Bonds.

THDA expects to reimburse itself for the full original principal amount of Program Loans purchased as of the day of closing. THDA began committing Program Loans against the expected proceeds from the Offered Bonds on February 21, 2013, and as of April 8, 2013, THDA has committed a total principal amount of approximately $29,400,000 of Program Loans that will be allocated to the Offered Bonds.

RESIDENTIAL FINANCE PROGRAM LOANS

Description of Residential Finance Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits for all loan programs have typically been more restrictive than those permitted under the Code. THDA Acquisition Cost Limits are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits are either $240,000 or $275,000 depending on geographic location. The THDA Household Income Limits range from $54,480 to $92,680 depending on household size and geographic location. See Appendix G for a description of Residential Finance Program Loan Procedures related to Code requirements.

THDA currently offers Homeownership Choices as its primary loan program. A brief description of this loan program, and the loan types available thereunder, together with a description of certain loan programs previously available follows.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2013-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Homeownership Choices

The Homeownership Choices Program includes Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans, with choice of loan type left to the borrower. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. As of April 9, 2013, the current interest rate for Great Rate Program Loans is 3.60%, the current interest rate for the Great Advantage Program Loans is 3.90% and the current interest rate for Great Start Program Loans is 4.20%.

An amount equal to 4% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues available outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable. It currently is anticipated that such downpayment and closing cost assistance loans will be funded with available funds of THDA and such loans will not be pledged as security for the Bonds. No assurance can be provided, however, that THDA will not finance such downpayment and closing cost assistance loans with available funds under the Resolution, including, without limitation, proceeds of future series of Bonds. Any such loans financed with funds under the Resolution will be pledged as security for the Bonds.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of $32,760, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. An interest rate equal to one-half of the current interest rate for Great Rate Program Loans is available to borrowers who have a maximum family income of $38,220, with a maximum loan amount equal to the lesser of 75% of the value of the property or the applicable county limit for the Homeownership Choices Program. All other THDA Program Loan requirements remain applicable. As of March 31, 2013 (unaudited), 1,014 New Start Program Loans, with an aggregate principal balance of approximately $64,545,194, were outstanding; 87 of such New Start Program Loans, having an aggregate principal balance of approximately $5,078,529 currently outstanding under the 1974 General Resolution will become Transferred Program Loans allocable to the Offered Bonds. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other bonds.

Homeownership for the Brave

THDA recently implemented a program to assist in providing more affordable homeownership opportunities to veterans. The Homeownership for the Brave program offers a ½-percentage point reduction on any of THDA's three 30-year fixed mortgage choices: Great Rate, Great Advantage or Great Start. Active and retired members of the military and reservists (180 days' active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of March 31, 2013 (unaudited), 97 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $10,658,547, were outstanding, none of which will become Transferred Program Loans allocable to the Offered Bonds. THDA may continue to finance Homeownership for the Brave Loans, from time to time, from the proceeds of the Offered Bonds as well as from the proceeds of other bonds.

Disaster Relief and Economic Recovery Mortgage Program

In connection with the issuance of 2003 Series A Bonds under the 1974 General Resolution, THDA made funds available for a Disaster Relief and Economic Recovery Program. Currently, 286 loans with an outstanding principal balance of approximately $20,901,188 are outstanding under the 1974 General Resolution. All of these loans will become Transferred Program Loans allocable to the Offered Bonds. THDA no longer makes loans under this program.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

As of March 31, 2013, the Transferred Program Loans have an approximate weighted average maturity of 236.56 months and a weighted average interest rate of 4.97% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS – Prepayment Experience of Transferred Program Loans" below. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of March 31, 2013; the Transferred Program Loans will not be allocable to the Offered Bonds until July 1, 2013, and Transferred Program Loan characteristics may change slightly from March 31, 2013 to July 1, 2013).

Transferred Program Loans by Type of Mortgage

Type of Mortgage	Number	Principal Amount [3]	% of Transferred Principal Amount
FHA Insured……………………..…	1,194	$58,773,686	62.97%
VA Guaranteed………………….....	25	1,445,861	1.55
USDA/RD Guaranteed………….	130	7,494,799	8.03
Privately Insured[1]…………………	164	14,310,600	15.33
Uninsured[2]………………………..	194	11,311,301	12.12
TOTAL…………………………….	1,707	$93,336,246 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.

(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of March 31, 2013 (unaudited), $14,310,600 principal amount of the Transferred Program Loans are privately insured. As of March 31, 2013 (unaudited), the private mortgage insurer is not identified with respect to 57 privately insured Program Loans as these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to the Prior Bonds. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to the Prior Bonds for the 3 month, 6 month and 12 month periods ended on December 31, 2012, based on principal prepayment data available to THDA.

Issue	% of Transferred Program Loans By Principal Balance	3 Months	6 Months	12 Months	Since Inception	Weighted Average Mortgage Rate
2003 Series A	69.2%	106%	108%	105%	125%	4.74%
Issue 2004-1	30.8%	362%	254%	230%	144%	5.50%

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.52%, based on a total of 1,707 Transferred Program Loans as of March 31, 2013 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2013, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2013

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	22	$1,340,709	1.84%	2.04%(4)
VA Guaranteed	1	80,271	4.00	1.23
Privately Insured	1	53,336	0.61	0.74(5)
USDA/RD Guaranteed	2	108,697	1.54	(6)
Uninsured	0	0	0.00	(6)
TOTAL	26	$1,583,013(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2012.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 4.98%, based on a total of 1,707 Transferred Program Loans as of March 31, 2013 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of March 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	77	$3,596,527	6.45%	4.82%[4]
VA Guaranteed	1	38,722	4.00	2.85
Privately Insured	3	277,883	1.83	1.39[5]
USDA/RD[1] Guaranteed	3	161,491	2.31	(6)
Uninsured	1	93,233	0.52	(6)
TOTAL	85	$4,167,856[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 1.29%, based on a total of 1,707 Transferred Program Loans as of March 31, 2013 (unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of March 31, 2013 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending December 31, 2012, are shown in the following table:

IN FORECLOSURE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	19	$863,633	0.42%	2.32%[4]
VA Guaranteed	0	0	0.00	1.24
Privately Insured	1	87,061	0.00	0.90[5]
USDA/RD[1] Guaranteed	2	180,108	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	22	$1,130,803[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

In accordance with Tennessee law, state entities, including THDA, are subject to periodic review by the General Assembly to evaluate the necessity for their continued existence. THDA's existence has been continued until June 30, 2014, however, Senate Bill 373/House Bill 831 has been introduced which, if passed, will have the effect of continuing THDA's existence until June 30, 2013. THDA does not currently expect that this legislation in its current form will become law. Nevertheless, should such legislation pass and should insufficient time be available prior to June 30, 2013, to allow appropriate votes in the General Assembly to extend THDA's existence, THDA would enter a wind down period of one year prior to a required cessation of all activities as specified in the Tennessee Governmental Entity Review Law, T.C.A. Section 4-29-101 et seq. If THDA's existence was ultimately terminated, all claims and rights of any person against THDA would be assumed by the state of Tennessee, the state of Tennessee would be obligated to preserve the rights of holders of THDA bonds or other indebtedness and the obligations and rights of THDA would accrue to the state of Tennessee.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of March 31, 2013 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $1,950,595,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that the remaining board members be appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. The Act also provides that board members be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, the First, Second or Third U.S. Congressional District, the Fourth, Fifth or Sixth U.S. Congressional District and the Seventh, Eighth or Ninth U.S. Congressional District and be knowledgeable about the problems of inadequate housing conditions in Tennessee. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

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The name, term of office and principal occupation of the current members of the Board of Directors(1) are shown below:

Name	Term Expires	Principal Occupation
Robyn J. Askew	July 1, 2013	Attorney, Lewis, King, Kreig & Waldrop, PC Knoxville, TN
Phil M. Baggett	July 1, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
John L. Baker	July 1, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	July 1, 2013	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Mark Cate(2)	(3)	Special Assistant & Policy Advisor to the Governor
Philip C. Chamberlain, II	July 1, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Dorothy L. Cleaves	July 1, 2016	First Vice President, Paragon National Bank Memphis
Terry Cunningham	July 1, 2016	Executive Director, Kingsport Housing & Redevelopment Authority, Kingsport, TN
Mark Emkes(2)	(3)	Commissioner, Department of Finance and Administration
William Graves	July 1, 2013	Retired. Formerly General Manager, Fleetwood Homes of TN, Inc., Gallatin, TN
Ronald K. Jones	July 1, 2016	Executive Director, Trevecca Towers Nashville
Tre Hargett(2)	January, 2017	Secretary of State
David H. Lillard, Jr.(2)	January, 2015	State Treasurer
Janis McNeely	July 1, 2013	Retired. Formerly, Relationship Manager, First Tennessee Home Loans, Nashville, TN
Lisa Reid	July 1, 2013	Executive Vice President, Magna Bank Memphis, TN
Benjie Shuler	July 1, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	July 1, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson(2)	January, 2015	Comptroller of the Treasury
Mary Chatman	(4)	Springfield, TN

(1) The Board of Directors at-large position appointed by the Speaker of the House is currently vacant.

(2) Ex officio member.

(3) Serves at pleasure of Governor.

(4) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Notwithstanding all of the foregoing, an amendment to Senate Bill 1042/House Bill 1054 has been introduced in the General Assembly and has passed in the Senate. If passed by the House of Representatives and signed into law by the Governor in its current form, the effect of this legislation will be to reduce the number of THDA Board members to be appointed by the Governor. Under this proposed amendment to Senate Bill 1042/House Bill 1054, the Board positions with terms that expire on July 1, 2013, will be eliminated. Thereafter, the Governor will appoint six (6) members from among eight groups. The proposed amendment to Senate Bill 1042/House Bill 1054 does not affect the ex-officio positions and the appointments by the Speaker of the House and the Speaker of the Senate.

Executive Staff Members

THDA employs a staff of approximately 233 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since October 16, 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Lindsay Hall – Senior Director of Single Family Programs since 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Beth Pugh – Interim Director of Internal Audit since March 18, 2013. Audit Manager since 2005. THDA employee since 2001. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit, (1998-2001); Odom's Tennessee Pride Sausage Co., Accounting Division, (1985-1998). B.B.A., Tennessee State University.

Trent Ridley – Chief Financial Officer since 2006. THDA employee since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. THDA has regional offices in eight (8) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Residential Finance Program and all of the other general bond resolutions and mortgage loan programs of THDA.

The Housing Program Fund is the vehicle used by THDA to fund non-mortgage programs not otherwise funded through federal programs. Essentially, all revenues of THDA derived from sources other than the Residential Finance Program or other bond resolutions are deposited into the Housing Program Fund. Amounts in the Housing Program Fund currently include investment income from the Housing Program Fund, federal funds received by THDA for the administration of federal programs, and fees charged by THDA in connection with its non-mortgage programs. Amounts in the Housing Program Fund are not pledged as security for the Offered Bonds.

The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings, but which presently has a balance of $0. Amounts in the Assets Fund, if any, are not pledged as security for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002. See "State Budget" below with respect to these matters for the fiscal year ending June 30, 2013.

Notwithstanding the foregoing, if projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Payment of THDA Operating Expenses, Including Program Expenses

THDA currently receives no funds from the State of Tennessee for operating and administrative expenses. THDA currently pays all operating and administrative expenses, including Program Expenses of the Residential Finance Program, with funds available therefor from the other THDA bond resolutions and from the Housing Program Fund. THDA currently pays only certain expenses, such as Cost of Issuance, Underwriter's fees, Trustee's fees, and other similar costs from bond proceeds. THDA currently expects to continue to pay Program Expenses (other than Cost of Issuance, Underwriter's fees, Trustee's fees, and other similar costs) and all other THDA operating and administrative costs and expenses from the other THDA bond resolutions and from other resources available to THDA. No assurance can be provided that THDA will not withdraw funds from the Resolution in the future to pay such expenses. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses. Regardless of THDA's best efforts and in the event of additional transfers to the State, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 58,864 active members in TCRS in the state and higher education employee group at June 30, 2012. This total includes 223 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees in the state and higher education group, including THDA employees, are noncontributory.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The last valuation was performed as of July 1, 2011. The next valuation is scheduled for July 1, 2013.

Actuarial Valuation

At July 1, 2011, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.555 billion, resulting in a funded ratio of 88.30%. The unfunded actuarial liability would have been $2.520 billion if based on the market value of assets with the funded ratio being 81.03%. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2012, and ending June 30, 2014, is 15.03% based on the actuarial valuation performed as of July 1, 2011.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2013	15.03%	$12,909,900*	$1,940,358*	1.45%
2012	14.91	10,971,001	1,632,095	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2012, the salary of THDA employees totaled $10,971,001, which represents 0.043% of the $2.509 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred market losses that have been actuarially smoothed are recognized over the next ten years.

GASB Exposure Draft Amending Statement 27

The Governmental Accounting Standards Board (GASB) has issued an exposure draft amending GASB statement number 27 relative to accounting and reporting for pensions. If adopted as proposed, it would separate pension accounting from pension funding, which heretofore have been tied together. The amendment proposes a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, the amendment proposes a methodology for measuring the pension liability to be presented in the employer's financial statement. No prediction can be made as to whether and in what form it might be adopted and as to any actual effects. However, financial statement presentation will not affect the pension funding methodologies described herein.

Other Post-Employment Benefits

Certain Governmental Accounting Standards Board ("GASB") GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2011, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $2,919,000 and the annual required contribution for THDA is approximately $358,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2014. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2013-1A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2013-1B Bonds and the Issue 2013-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2013-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2013-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody's Investors Service, Inc. ("Moody's") assigned the Offered Bonds a rating of Aa1 and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business ("S&P") assigned the Offered Bonds a rating of AA+. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's and Standard & Poor's. THDA has furnished to Moody's and Standard & Poor's certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2013-1 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2013-1 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in "FINANCIAL STATEMENTS" below, and an annual update of the type of information in this Preliminary Official Statement (i) of the nature disclosed under "RESIDENTIAL FINANCE PROGRAM BONDS," and "RESIDENTIAL FINANCE PROGRAM LOANS" including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, (ii) contained in Appendix E hereto and (iii) annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Bond Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on any credit enhancement reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2013-1 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2013-1 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2013-1 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2013-1 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for

THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the years ended June 30, 2012, and June 30, 2011, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the six months ended December 31, 2012, and December 31, 2011. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

UNDERWRITING

RBC Capital Markets, LLC, Raymond James & Associates, Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Wells Fargo Bank, N.A., and FTN Financial Capital Markets (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at the prices indicated on the inside cover of this Official Statement. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $1,365,520.76. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Offered Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Offered Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase the Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and First Tennessee Brokerage, Inc. is a wholly-owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with First Tennessee Brokerage, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Tennessee Brokerage, Inc.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

October 26, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Members of the Board of Directors
Tennessee Housing Development Agency
and
Mr. Ted Fellman, Executive Director
Tennessee Housing Development Agency
404 James Robertson Parkway, Suite 1200
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have audited the accompanying statements of net assets of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2012, and June 30, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2012, and June 30, 2011, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with generally accepted government auditing standards, we will issue a report dated October 26, 2012, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/tlh

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2012 and June 30, 2011. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2012, THDA has originated over 108,000 single-family mortgage loans in its 39-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, as well as notes to the financial statements. The statements of net assets provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net assets summarize the results of operations over the course of each fiscal year. The statements

of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at www.tn.gov/finance/act/cafr.shtml.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2012

- Total assets decreased by $98.3 million, or 3.6%.
- Total liabilities decreased by $136.3 million, or 6.2%.
- Net assets (the amount that total assets exceeds total liabilities) were $557.9 million. This is an increase of $37.9 million, or 7.3%, from fiscal year 2011.
- Cash and cash equivalents decreased $57.0 million, or 18.3%.
- Total investments decreased $8.5 million, or 3.6%.
- Bonds and notes payable decreased $128.6 million, or 6.0%.
- THDA originated $235.7 million in new loans, which is an increase of $4.6 million, or 2.0%, from the prior year.

Year Ended June 30, 2011

- Total assets decreased by $180.0 million, or 6.2 %.
- Total liabilities decreased by $181.2 million, or 7.6%.
- Net assets (the amount that total assets exceeds total liabilities) were $520.0 million. This is an increase of $1.2 million, or 0.2%, from fiscal year 2010.
- Cash and cash equivalents decreased $193.9 million, or 38.4%.
- Total investments increased $23.8 million, or 11.2%.
- Bonds and notes payable decreased $176.7 million, or 7.6%.
- THDA originated $231.1 million in new loans, which is a decrease of $113.0 million, or 32.8%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table focuses on the changes in net assets between fiscal years (expressed in thousands):

	2012	2011	2010
Current assets	$ 314,268	$ 304,429	$ 397,864
Capital assets	113	157	79
Other noncurrent assets	2,322,247	2,430,331	2,516,989
Total assets	2,636,628	2,734,917	2,914,932
Current liabilities	207,708	150,534	193,765
Noncurrent liabilities	1,871,002	2,064,427	2,202,405
Total liabilities	2,078,710	2,214,961	2,396,170
Invested in capital assets	114	157	79
Restricted net assets	517,980	517,587	514,383
Unrestricted net assets	39,824	2,212	4,300
Total net assets	$ 557,918	$ 519,956	$ 518,762

2012 to 2011

- THDA's total net assets increased $37.9 million, or 7.3%, from $520.0 million at June 30, 2011 to $557.9 million at June 30, 2012. The primary factor that contributed to this increase was the receipt of $34.5 million of funds from the multi-state national mortgage settlement with the nation's leading mortgage servicers.

- Mortgage loans receivable decreased $22.8 million, or 1.1%, from $2,119.4 million at June 30, 2011 to $2,096.6 million at June 30, 2012. During FY 2012, single-family mortgage loan originations increased $4.6 million or 2.0% from $231.1 million in FY 2011 to $235.7 million in FY 2012. Conversely, mortgage loan prepayments and repayments increased $28.8 million, or 16.0%, from $180.2 million in FY 2011 to $209.0 million in FY 2012.

- Total liabilities decreased $136.3 million, or 6.2%, from $2,215.0 million at June 30, 2011 to $2,078.7 million at June 30, 2012. While there were several factors that led to this decrease, notable year-to-year changes include a decrease of warrants / wires payable from $10.9 million at June 30, 2011 to $0 at June 30, 2012, and a decrease in the total amount of bonds and notes outstanding from $2,143.7 million at June 30, 2011 to $2,015.1 million at June 30, 2012.

2011 to 2010

- THDA's total net assets increased $1.2 million, or 0.2%, from $518.8 million at June 30, 2010 to $520.0 million at June 30, 2011. While various factors accounted for this change, the most significant factors include a decrease in interest expense, an increase in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, an increase in other program expenses, and a decrease in federal grant administration fees.

- Mortgage loans receivable increased $3.8 million, or 0.2%, from $2,115.6 million at June 30, 2010 to $2,119.4 million at June 30, 2011. During FY 2011, single-family mortgage loan originations decreased $113.0 million, or 32.8% from $344.1 million in FY 2010 to $231.1 million in FY 2011. Conversely, mortgage loan prepayments and repayments increased $0.9 million, or 0.5%, from $179.3 million in FY 2010 to $180.2 million in FY 2011.

- Total liabilities decreased $181.2 million, or 7.6%, from $2,396.2 million at June 30, 2010 to $2,215.0 million at June 30, 2011. The decrease is primarily due to a reduction in the amount of bonds issued during fiscal year 2011 as compared to fiscal year 2010, as well as an increase in the redemption of bonds as compared to fiscal year 2010.

Changes in Net Assets. The following table summarizes the changes in revenues, expenses and changes in net assets between fiscal years (expressed in thousands):

	2012	2011	2010
Operating revenues			
Mortgage interest income	$ 116,015	$ 119,406	$ 118,572
Investment income	11,992	6,156	14,517
Other	17,693	17,041	17,588
Total operating revenues	145,700	142,603	150,677
Operating expenses			
Interest expense	87,835	88,301	93,154
Other	39,797	38,905	32,677
Total operating expenses	127,632	127,206	125,831
Operating income	18,068	15,397	24,846
Nonoperating revenues (expenses)			
Grant revenues	260,371	355,754	254,417
Payment from primary government	34,500	-	-
Grant expenses	(274,977)	(369,957)	(270,474)
Total nonoperating revenues (expenses)	19,894	(14,203)	(16,057)
Change in net assets	$ 37,962	$ 1,194	$ 8,789

2012 to 2011

Total operating revenues increased $3.1 million from $142.6 million for the year ended June 30, 2011 to $145.7 million for the year ended June 30, 2012. The primary reasons for this increase are as follows:

- Mortgage interest revenue decreased $3.4 million, or $2.8%, from $119.4 million in FY 2011 to $116.0 million in FY 2012. This decrease is due to prepayments of older mortgage loans with higher interest rates, as compared to new loans being originated at historically low interest rates.

- Investment income increased $5.8 million, or 93.5%, from $6.2 million in 2011 to $12.0 million in 2012. While the increase in investment interest income was insignificant, the net increase (decrease) in the fair value of investments improved $5.2 million, or 106.5%, from a net decrease of $4.9 million in FY 2011 to a net increase of $0.3 million in FY 2012.

For the year ended June 30, 2012, total operating expenses increased $0.4 million, or 0.3%, from $127.2 million in 2011 to $127.6 million in 2012. The increase is not significant.

2011 to 2010

Total operating revenues decreased $8.1 million from $150.7 million for the year ended June 30, 2010 to $142.6 million for the year ended June 30, 2011. The primary reasons for this decrease are as follows:

- Investment income decreased $8.4 million, or 57.6%, from $14.5 million in 2010 to $6.2 million in 2011. This decrease is primarily due to a decrease in the fair value of investments of $4.9 million in FY 2011 as compared to an increase in the fair value of investments of $1.7 million in FY 2010.

- Federal grant administration fees decreased $1.2 million, or 8.1%, from $15.1 million in 2010 to $13.9 million in 2011. This primarily resulted from a decrease in federal administrative fees earned on the Section 8 tenant-based HCV program.

For the year ended June 30, 2011, total operating expenses increased $1.4 million, or 1.1%, from $125.8 million in 2010 to $127.2 million in 2011. The primary reasons for this increase are as follows:

- Interest expense decreased $4.9 million, or 5.2%, from $93.2 million in 2010 to $88.3 million in 2011. This decrease is primarily due to a decrease in bonds payable during FY 2011.

- Other program expenses increased $5.4 million, or 84.6%, from $6.4 million in 2010 to $11.9 million in 2011. There were several factors that contributed to this increase, among which were an increase in expenses related to mortgage loan foreclosures and incurring administrative expenses in administering ARRA grants as well as in implementing the Hardest Hit Fund (HHF).

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2012	2011	2010
Bonds payable	$ 2,015,181	$ 2,140,486	$ 2,316,748
Notes payable	-	3,250	3,672
Total bonds and notes payable	$ 2,015,181	$ 2,143,736	$ 2,320,420

Year Ended June 30, 2012
Total bonds and notes payable decreased $128.6 million, or 6.0%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $153.7 million, with activity arising from three bond issues. With investment interest rates at historically low levels, THDA has sought out opportunities to call bonds with proceeds from mortgage repayments and prepayments as practical. In addition to nominal advanced bond redemptions from mortgage loan prepayments, THDA refunded $135.1 million of bonds into bonds with lower interest rates.

Year Ended June 30, 2011
Total bonds and notes payable decreased $176.7 million, or 7.6%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $201.9 million, with activity arising from three bond issues.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	60,000,000	Bond Issue 2009-B, Subseries B-3
August 25, 2011	60,000,000	Bond Issue 2009-B, Subseries B-4
November 03, 2011	34,710,000	Bond Issue 2009-B, Subseries B-5

As of June 30, 2012, all of the bonds issued under issue 2009-B1 had been released, re-designated, and converted into fixed-rate, tax-exempt bonds.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

There were no revisions to THDA's bond ratings during FY 2012 or FY 2011.

Debt Limits
In accordance with *Tennessee Code Annotated*, 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2012	FY 2011	FY 2010 and Prior	Total
Funding Sources:				
THDA	$ 6,500,000	$ 6,000,000	$ 24,000,000	$ 36,500,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 40,850,000**
Approved Uses:				
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 2,800,000	$ 4,200,000
Ramp Program (UCP)	-	-	50,000	50,000
Ramp Program	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	150,000	450,000
Homebuyer Education Initiative	-	-	300,000	300,000
Emergency Repairs for Elderly	2,000,000	2,000,000	8,000,000	12,000,000
Competitive Grants	3,150,000	3,150,000	16,650,000	22,950,000
Manuf. Hsg. Replacement	500,000	-	-	500,000
Totals	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 40,850,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2012, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2012, 30 basis points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/index.aspx?NID=282.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2012, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,430	561	42,078,643	2.12%
90+ Days Past Due	26,430	1,247	93,521,824	4.72%
In Foreclosure	26,430	166	12,663,174	0.63%

As of June 30, 2011, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,725	521	39,122,105	1.95%
90+ Days Past Due	26,725	1,085	81,167,263	4.06%
In Foreclosure	26,725	308	24,127,169	1.15%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term collateralized repurchase agreements, as well as short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND JUNE 30, 2011
(Expressed in Thousands)

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 219,397	$ 203,071
Investments (Note 2)	578	-
Receivables:		
Accounts	18,989	23,750
Interest	12,611	12,854
First mortgage loans	51,702	49,947
Due from federal government	10,991	14,807
Total current assets	314,268	304,429
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	34,218	107,502
Investments (Note 2)	186,562	196,928
Investment interest receivable	1,683	2,261
Investments (Note 2)	40,130	38,857
First mortgage loans receivable	2,044,906	2,069,473
Deferred charges	11,741	12,327
Advance to local government	3,007	2,983
Capital assets:		
Furniture and equipment	556	517
Less accumulated depreciation	(443)	(360)
Total noncurrent assets	2,322,360	2,430,488
Total assets	2,636,628	2,734,917
LIABILITIES		
Current liabilities:		
Warrants / wires payable (Note 3)	-	10,913
Accounts payable	1,451	5,121
Accrued payroll and related liabilities	515	472
Compensated absences	555	477
Due to primary government	71	-
Interest payable	43,626	45,076
Escrow deposits	433	528
Prepayments on mortgage loans	1,414	1,662
Deferred revenue - U.S. Treasury	10,408	-
Notes payable (Note 4)	-	3,250
Bonds payable (Note 4)	149,235	83,035
Total current liabilities	207,708	150,534
Noncurrent liabilities:		
Bonds payable (Note 4)	1,865,946	2,057,451
Compensated absences	601	517
Net OPEB obligation (Note 9)	1,157	994
Escrow deposits	3,298	4,248
Arbitrage rebate payable	-	1,217
Total noncurrent liabilities	1,871,002	2,064,427
Total liabilities	2,078,710	2,214,961
NET ASSETS		
Invested in capital assets	114	157
Restricted for single family bond programs (Note 5 and Note 7)	508,687	504,874
Restricted for grant programs (Note 5)	6,140	9,560
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,153
Unrestricted (Note 7)	39,824	2,212
Total net assets	$ 557,918	$ 519,956

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011
(Expressed in Thousands)

	2012	2011
OPERATING REVENUES		
Mortgage interest income	$ 116,015	$ 119,406
Investment income:		
Interest	11,672	11,042
Net increase (decrease) in the fair value of investments	320	(4,886)
Federal grant administration fees	14,475	13,916
Fees and other income	3,218	3,125
Total operating revenues	145,700	142,603
OPERATING EXPENSES		
Salaries and benefits	15,671	15,190
Contractual services	3,208	2,625
Materials and supplies	184	226
Rentals and insurance	100	97
Other administrative expenses	482	465
Other program expenses	11,727	11,878
Interest expense	87,835	88,301
Mortgage service fees	7,539	7,601
Issuance costs	742	730
Depreciation	144	93
Total operating expenses	127,632	127,206
Operating income	18,068	15,397
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	260,371	355,754
Payment from primary government (Note 12)	34,500	-
Federal grants expenses	(260,587)	(355,862)
Local grants expenses	(14,390)	(14,095)
Total nonoperating revenues (expenses)	19,894	(14,203)
Change in net assets	37,962	1,194
Total net assets, July 1	519,956	518,762
Total net assets, June 30	$ 557,918	$ 519,956

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011
(Expressed in Thousands)

	2012	2011
Cash flows from operating activities:		
Receipts from customers	$ 378,193	$ 352,565
Receipts from federal government	15,243	14,241
Other miscellaneous receipts	3,218	3,125
Acquisition of mortgage loans	(235,740)	(231,061)
Payments to service mortgages	(7,539)	(7,601)
Payments to suppliers	(17,439)	(21,317)
Payments to federal government	(1,216)	(3,331)
Payments to employees	(15,644)	(15,266)
Net cash provided by operating activities	119,076	91,355
Cash flows from non-capital financing activities:		
Operating grants received	308,398	363,397
Negative cash balance implicitly financed (repaid)	(10,913)	2,616
Proceeds from sale of bonds	248,382	201,856
Operating grants paid	(278,480)	(370,436)
Cost of issuance paid	(2,243)	(1,907)
Principal payments	(372,940)	(371,942)
Interest paid	(89,283)	(90,953)
Net cash used by non-capital financing activities	(197,079)	(267,369)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(100)	(172)
Net cash used by capital and related financing activities	(100)	(172)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	409,752	282,923
Purchases of investments	(400,926)	(311,750)
Investment interest received	12,311	11,000
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	8	130
Net cash provided (used) by investing activities	21,145	(17,697)
Net decrease in cash and cash equivalents	(56,958)	(193,883)
Cash and cash equivalents, July 1	310,573	504,456
Cash and cash equivalents, June 30	$ 253,615	$ 310,573

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011
(Expressed in Thousands)

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 18,068	$ 15,397
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	886	823
Changes in assets and liabilities:		
Decrease in accounts receivable	4,758	4,716
Decrease in mortgage interest receivable	183	352
(Increase) decrease in first mortgage loans receivable	22,790	(3,854)
Decrease in due from federal government	768	325
(Increase) in deferred charges	(1,912)	(4,076)
(Decrease) in accounts payable	(1,460)	(1,420)
Increase in accrued payroll / compensated absences	368	278
(Decrease) in arbitrage rebate liability	(1,216)	(3,331)
Investment income included as operating revenue	(11,992)	(6,156)
Interest expense included as operating expense	87,835	88,301
Total adjustments	101,008	75,958
Net cash provided by operating activities	$ 119,076	$ 91,355
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ 12,603	$ (3,643)
Total noncash investing, capital, and financing activities	$ 12,603	$ (3,643)

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, and home building industries, the mortgage profession, local governments, and the three grand divisions of the state and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The agency generally follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The agency also has the option of following subsequent private-sector guidance subject to this same limitation. The agency has elected not to follow subsequent private-sector guidance. Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both

restricted and unrestricted resources are available for use, generally it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the New Issue Bond Program (NIBP) 2009-B escrowed bond investments.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

The NIBP 2009-B escrowed bond investments are restricted for use in the 2009 resolution. These invested funds are restricted to be released, converted and blended with market rate bonds.

f. Bond Issuance Costs and Refunding Costs

1. Bond Issuance Costs: The agency amortizes bond issuance costs using the interest method over the life of the related bond issue. Unamortized bond issuance costs are reported as deferred charges.

2. Bond Refunding Costs: The agency amortizes bond refunding costs using the straight-line method. Bonds payable is reported net of the deferred amount on refundings.

3. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments

include the following: direct obligations of the U.S. Treasury and U.S. Agencies; obligations guaranteed by the U.S.; public housing bonds secured by contracts with the U.S.; direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee; obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation; interest bearing time or demand deposits; collateralized certificates of deposit in authorized state depositories; and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less principal collected.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2012, the bank balance was $12,042,605. At June 30, 2011, the bank balance was $6,806,625. All bank balances at June 30, 2012 and June 30, 2011 were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2012, $11,588,423 was in the BNYM. Of this amount,

$11,338,423 was above the FDIC insurance coverage. Of the bank balance at June 30, 2011, $4,304,256 was in the BNYM. Of this amount, $4,054,256 was above the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.treasury.tn.gov.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of their own affairs. That would be to consider the safety of capital and the probability of income, while avoiding speculative investments.

The agency's investment policy states that the agency portfolios will be diversified in order to reduce the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2012		**June 30, 2011**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$135,888,316	2.153	$146,532,606	2.052
U.S. Treasury Coupon	91,381,418	4.673	89,252,190	5.248
U.S. Treasury Discount	0	N/A	94,789,957	0.073
Total	$227,269,734	1.851	$330,574,753	1.803

The portfolios include the following investments (stated at par or face value) that have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net assets.

Variable Rate Bonds.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.55 of par on August 4, 2010. Although these securities were scheduled to mature on August 4, 2025, these bonds were called on February 4, 2012. The fair value of these securities on June 30, 2011, was $1,971,350, which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.75 of par on August 26, 2010. Although these securities were scheduled to mature on August 26, 2022, these bonds were called on August 26, 2011. The fair value of these securities on June 30, 2011, was $1,490,622 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at par on September 29, 2010. Although these securities were scheduled to mature on September 29, 2025, these bonds were called on September 29, 2011. The fair value of these securities on June 30, 2011, was $1,998,572 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 99.73 of par on September 30, 2010. Although these securities were scheduled to mature on September 30, 2015, these bonds were called on September 30, 2011. The fair value of these securities on June 30, 2011, was $2,004,608 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on September 30, 2010. Although these securities were scheduled to mature on September 30, 2020, these bonds were called on September 30, 2011. The fair value of these securities on June 30, 2011, was $2,007,976 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on October 15, 2010. Although these securities were scheduled to mature on October 15, 2025, these bonds were called on October 15, 2011. The fair value of these securities on June 30, 2011, was $2,000,916 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011. Although these securities were scheduled to mature on January 28, 2026, these bonds were called on October 28, 2011. The fair value of these securities on June 30, 2011, was $2,996,115 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 28, 2011. Although these securities were scheduled to mature on July 28, 2016, these bonds were called on July 28, 2011. The fair value of these securities on June 30, 2011, was $1,001,257 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 9, 2011. Although these securities were scheduled to mature on February 9, 2021, these bonds were called on August 9, 2011. The fair value of these securities on June 30, 2011, was $3,003,411 which is included in U.S. Agency Coupon in the table above.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on February 16, 2011. Although these securities were scheduled to mature on February 16, 2021, these bonds were called on August 16, 2011. The fair value of these securities on June 30, 2011, was $4,004,460 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,150,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.95 of par on April 27, 2011. Although these securities were scheduled to mature on April 27, 2026, these bonds were called on April 27, 2012. The fair value of these securities on June 30, 2011, was $2,166,542 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.92 of par on May 6, 2011. Although these securities were scheduled to mature on July 14, 2015, these bonds were called on July 14, 2011. The fair value of these securities on June 30, 2011, was $3,500,522 which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.75 of par on May 18, 2011. Although these securities were scheduled to mature on May 18, 2026, these bonds were called on May 18, 2012. The fair value of these securities on June 30, 2011, was $2,005,234 which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.60 of par on June 17, 2011. Although these securities were scheduled to mature on December 17, 2025, these bonds were called on September 17, 2011. The fair value of these securities on June 30, 2011, was $977,172 which is included in U.S. Agency Coupon in the table above.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on June 30, 2011. Although these securities were scheduled to mature on June 30, 2016, these bonds were called on September 30, 2011. The fair value of these securities on June 30, 2011, was $3,965,880 which is included in U.S. Agency Coupon in the table above.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 30, 2012 and mature on January 30, 2017. The fair value of these securities on June 30, 2012, is $3,007,326 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.625% with a step-up option to 1.5% on January 30, 2013. This investment is callable on January 30, 2013.

The agency purchased $4,280,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.93 of par on February 24, 2012 and mature on December 28, 2026. The fair value of these securities on June 30, 2012, is $4,297,377 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 4.0% on December 28, 2012, to 5.0% on December 28, 2017, and to 6.0% on December 28, 2022. This investment is callable quarterly beginning on December 28, 2012 and ending on September 28, 2013.

The agency purchased $2,140,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.875 of par on April 30, 2012 and mature on October 30, 2019. The fair value of these securities on June 30, 2012, is $2,135,998 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.25% with a step-up option to 1.5% on October 30, 2015, to 1.75% on October 30, 2016, to 2.0% on October 30, 2017, to 3.0% on April 30, 2018, to 4.0% on October 30, 2018, and to 6.0% on April 30, 2019. This investment is callable on July 30, 2012.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on May 24, 2012 and mature on November 24, 2017. The fair value of these securities on June 30, 2012, is $1,000,179 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.75% with a step-up option to 1.0% on May 24, 2014, to 1.25% on May 24, 2015, to 1.5% on May 24, 2016, to 1.75% on November 24, 2016, and to 2.0% on May 24, 2017. This investment is callable on August 24, 2012.

The agency purchased $2,350,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.75 of par on June 11, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2012, is $2,335,775 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020, to 4.0% on June 11, 2022, to 6.0% on June 11, 2023, to 7.0% on June 11, 2024, to 8.0% on December 11, 2024, to 10.0% on June 11, 2025, to 12.0% on December 11, 2025, to 14.0% on June 11, 2026, and to 16.0% on December 11, 2026. This investment is callable on July 11, 2012.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 14, 2012 and mature on June 14, 2027. The fair value of these securities on June 30, 2012, is $5,001,205 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 3.0% on December 14, 2012, to 4.0% on December 14, 2017, to 5.0% on June 14, 2022, and to 6.0% on June 14, 2024. This investment is callable on December 14, 2012.

The agency purchased $3,210,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on June 28, 2012 and mature on June 27, 2027. The fair value of these securities on June 30, 2012, is $3,190,002 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 28, 2015, to 3.0% on June 28, 2018, to 4.0% on June 28, 2021, to 5.0% on June 28, 2023, and to 6.5% on June 28, 2025. This investment is callable on June 28, 2013.

The agency purchased $6,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 28, 2012 and mature on June 28, 2027. The fair value of these securities on June 30, 2012, is $5,995,374 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 3.0% on December 28, 2012, to 4.0% on June 28, 2018, to 5.0% on June 28, 2022, and to 6.0% on December 28, 2025. This investment is callable quarterly beginning on December 28, 2012 and ending on December 28, 2015.

Credit Risk. Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2012 and June 30, 2011 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2012

			Credit Quality Rating		
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AA+**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$135,888,316		$118,089,513	$5,237,564	$12,561,239
U.S. Treasury Coupon	91,381,418	$91,381,418			
Repurchase Agreements	110,000,000				110,000,000
Total	$337,269,734	$91,381,418	$118,089,513	$5,237,564	$122,561,239

June 30, 2011

			Credit Quality Rating		
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AAA**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$146,532,606		$140,738,006	$5,176,721	$617,879
U.S. Treasury Coupon	89,252,190	$89,252,190			
U.S. Treasury Discount	94,789,957	94,789,957			
Repurchase Agreements	100,000,000				100,000,000
Total	$430,574,753	$184,042,147	$140,738,006	$5,176,721	$100,617,879

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2012		June 30, 2011	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$20,608,842	6.11	$24,769,777	5.75
Federal Home Loan Mortgage Corp	$22,155,470	6.57	$32,375,496	7.52
Federal National Mortgage Assoc	$73,997,504	21.94	$75,255,894	17.48
Repurchase Agreements – Morgan Stanley Dean Witter	$0	N/A	$60,000,000	13.93
Repurchase Agreements – UBS	$110,000,000	32.61	$40,000,000	9.29

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.
[2] Includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

NOTE 3. WARRANTS / WIRES PAYABLE

This amount includes the sum of warrants and wires initiated by the agency at year-end in excess of the agency's balance in the State Pooled Investment Fund that have not completely processed through the banking system. These warrants and wires are primarily for grant payments for the Section 8 grant programs and will be reimbursed by the U. S. Department of Housing and Urban Development.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2012	Ending Balance 6/30/2011
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$61,400	$75,280
Less: Deferred Amount on Refundings				(2,427)	(2,579)
Net Mortgage Finance Program Bonds				$58,973	$72,701

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2012	Ending Balance 6/30/2011
HOMEOWNERSHIP PROGRAM BONDS					
2001-1	7/1/2001-7/1/2032	135,390	3.41 to 5.65	$ -0-	$56,585
2001-2	1/1/2003-7/1/2032	60,000	3.10 to 5.375	-0-	17,840
2001-3	1/1/2003-7/1/2032	64,580	2.85 to 5.45	-0-	16,145
2002-1	7/1/2003-7/1/2033	85,000	1.85 to 5.45	-0-	24,950
2002-2	1/1/2004-7/1/2033	85,000	2.25 to 5.40	-0-	28,420
2003-1	7/1/2004-7/1/2033	50,000	1.20 to 5.10	17,550	19,965
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	25,210	28,265
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	28,115	32,995
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	34,125	39,750
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	44,830	51,950
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	47,545	55,070
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	55,550	63,655
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	54,970	62,830
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	55,975	66,840
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	53,450	62,950
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	62,075	70,720
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	64,530	75,135
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	83,880	94,160
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	97,925	114,055
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	102,995	118,230
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	41,610	47,050
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	28,175	37,405
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	58,695	68,525
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	8,105	21,185
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	43,490	46,795
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	65,220	70,085
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	100,050	115,295
2011-1	7/1/2012-7/1/2042	141,255	0.60 to 4.65	138,915	-0-

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2012	Ending Balance 6/30/2011
HOMEOWNERSHIP PROGRAM BONDS (CONT.)					
Total Homeownership Program Bonds		$2,531,925		$1,312,985	$1,506,850
Plus: Unamortized Bond Premiums				12,119	15,315
Less: Deferred Amount on Refundings				(2,867)	(3,387)
Net Homeownership Program Bonds				$1,322,237	$1,518,778

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2012	Ending Balance 6/30/2011
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.900 to 4.625	$91,845	$97,540
2009-B	7/1/2041	300,000	Variable	-0-	94,710
2010-A	1/1/2011-7/1/2041	74,710	0.600 to 5.0	146,225	155,435
2010-B	7/1/2011–7/1/2041	40,000	0.45 to 4.50	96,795	99,625
2011-A	7/1/2011-7/1/2041	40,000	0.45 to 4.50	97,475	100,000
2011-B	7/1/2012-7/1/2041	40,000	0.25 to 4.50	99,575	-0-
2011-C	7/1/2012-7/1/2041	65,290	0.40 to 4.30	99,995	-0-
Total Housing Finance Program Bonds		$660,000		$631,910	$547,310
Plus: Unamortized Bond Premiums				2,161	1,805
Less: Deferred Amount on Refundings				(100)	(108)
Net Housing Finance Program Bonds				$633,971	$549,007
Net Total All Issues				$2,015,181	$2,140,486

The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of $34,710,000. The $34,710,000 was blended with the market rate 2011-C bonds in the amount of $65,290,000 for a total of $100,000,000.

The interest rate on the 2009-B bonds is tied to the investment rate on proceeds of the bonds. Proceeds are required to be invested in U.S. Treasury securities maturing in 28 days or less.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2012 are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2013	$202,479	$83,456	$285,935
2014	53,213	76,706	129,919
2015	53,718	75,200	128,918
2016	52,728	73,590	126,318
2017	54,358	71,869	126,227
2018 – 2022	220,266	332,017	552,283
2023 – 2027	309,448	279,007	588,455
2028 – 2032	236,731	213,838	450,569
2033 – 2037	264,630	160,831	425,461
2038 – 2042	570,449	65,557	636,006
2043	2,555	59	2,614
Total	$2,020,575	$1,432,130	$3,452,705

The debt principal in the preceding table is $5,394,000 greater than that presented in the accompanying financial statements. This amount, which is a deduction from bonds payable for the deferred amount on refundings, is not reflected in the above presentation.

c. Redemption of Bonds and Notes

During the year ended June 30, 2012, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11,200,000, in the Homeownership Program in the amount of $316,065,000 and in the Housing Finance Program in the amount of $17,055,000. The respective carrying values of the bonds were $11,157,769, $317,935,960 and $17,099,460. This resulted in an expense to the Mortgage Finance Program of $42,231 and in income to the Homeownership Program of $1,870,960 and to the Housing Finance Program of $44,460.

On December 1, 2011, the agency issued $141,255,000 in Homeownership Program Bonds, Issue 2011-1. On January 1, 2012, the agency used $135,095,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $135,095,000 early redemption). The carrying amount of these bonds was $134,393,628. The refunding resulted in a difference of $701,372 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $37,847,406 over the next 18 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $17,103,985.

During the year ended June 30, 2011, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $12,260,000, in the Homeownership Program in the amount of $317,390,000 and in the Housing Finance Program in the amount of $5,780,000. The respective carrying values of the bonds were $12,214,245, $321,059,321 and $5,768,558. This resulted in an expense to the Mortgage Finance Program of $45,755 and to the Housing Finance Program of $11,442 and in income to the Homeownership Program of $3,669,321.

On October 13, 2010, the agency issued $120,700,000 in Homeownership Program Bonds, Issue 2010-1. On November 1, 2010, the agency used $99,835,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $99,835,000 early redemption). The carrying amount of these bonds was $99,371,651. The refunding resulted in a difference of $463,349 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $22,227,781 over the next 15 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $10,476,679.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2012.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Notes Payable	$3,250	$-0-	($3,250)	$-0-	$-0-
Bonds Payable	2,129,440	246,545	(369,690)	2,006,295	149,235
Plus: Unamortized Bond Premiums	17,120	1,837	(4,677)	14,280	-0-
Less: Deferred Amount on Refundings	(6,074)	(710)	1,390	(5,394)	-0-
Compensated Absences	994	162	(-0-)	1,156	555
Escrow Deposits	4,776	1,484	(2,529)	3,731	433
Arbitrage Rebate Payable	1,217	418	(1,635)	-0-	-0-
Total	$2,150,723	$249,736	($380,391)	$2,020,068	$150,223

The following table is a summary of the long-term liability activity for the year ended June 30, 2011.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Amounts Due Within One Year
Notes Payable	$3,672	$-0-	($422)	$3,250	$3,250
Bonds Payable	2,300,260	200,700	(371,520)	2,129,440	83,035
Plus: Unamortized Bond Premiums	22,419	1,156	(6,455)	17,120	-0-
Less: Deferred Amount on Refundings	(5,931)	(1,099)	956	(6,074)	-0-
Compensated Absences	945	66	(17)	994	477
Escrow Deposits	4,978	903	(1,105)	4,776	528
Arbitrage Rebate Payable	4,547	2,552	(5,882)	1,217	-0-
Total	$2,330,890	$204,278	($384,445)	$2,150,723	$87,290

e. Notes Issued and Outstanding

The Single Family Mortgage Notes Trust Indenture, dated December 1, 1997 (the "Trust Indenture"), provided for the issuance of agency drawdown notes with a maximum aggregate principal amount of $65,000,000. On April 1, 1999, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $200,000,000. On December 1, 2002, the Trust Indenture was supplemented providing for the maximum aggregate principal amount to be $450,000,000.

The notes bear interest, payable on the second Thursday of each succeeding month with respect to the principal amount drawn down by the agency. The interest rate is equal to ninety-nine percent (99%) of the bond equivalent yield as determined on the related rate date.

In October 2008, the Internal Revenue Service issued Notice 2008-88, amending Notice 2008-41. With an effective date of March 28, 2008, this notice provided temporary relief to issuers by allowing them to purchase their own bonds and commercial paper without causing an extinguishment of the debt for tax purposes. Therefore, on October 9, 2008, due to unstable credit markets, the Tennessee Housing Development Agency purchased at par $83,050,000 of its Single Family Mortgage Notes Trust Indenture from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2009, after which the notes were to be available to reissue. Due to continuing unstable credit markets, on December 31, 2009, the Internal Revenue Service extended the amount of time the agency was allowed to hold its outstanding notes purchased from Morgan Keegan. The agency was allowed to hold the outstanding notes through December 31, 2010; however, the notes matured on August 12, 2010. In accordance with the Financial Accounting Standards Board Statement 76 (as amended), Paragraph 3, the outstanding notes are not recorded for financial reporting purposes.

Promissory Note. On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest was charged quarterly at 3%. The principal matured and was paid off on December 22, 2011. On August 3, 2009, the agency borrowed $500,000 at 3% for the Preserve Loan Program, which is part of the Housing Trust Fund. Principal and interest were paid monthly with the principal maturing on August 4, 2012; however, the note was paid off on June 17, 2011.

The activity of the promissory note is also included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET ASSETS

The amount shown on the Statement of Net Assets as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net assets that are restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of these net assets is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were $1,632,095, $1,585,654, and $1,295,272. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered under one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net assets restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net assets for this purpose.

NOTE 8. RISK MANAGEMENT

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

The state has set aside assets for claim settlement in an internal service fund, the Risk Management Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of each fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2012, and June 30, 2011, are presented in the *Tennessee Comprehensive Annual Financial Report*. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* (*TCA*) Section 8-27-101. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2011, the insurance plan structure was changed, and as a result, all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

<u>Special Funding Situation</u>. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

<u>Funding Policy.</u> The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retirees who are 65 years of age or older have flat-rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; retirees

with 20 but less than 30 years of service, $37.50; and retirees with 15 but less than 20 years of service, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2012	June 30, 2011
Annual Required Contribution (ARC)	$393	$358
Interest on the Net OPEB Obligation	41	36
Adjustment to the ARC	(44)	(34)
Annual OPEB cost	390	360
Amount of contribution	(227)	(160)
Increase in Net OPEB Obligation	163	200
Net OPEB obligation-beginning of year	994	794
Net OPEB obligation-end of year	$1,157	$994

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2010	State Employee Group Plan	$ 352	45%	$ 794
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994
6/30/2012	State Employee Group Plan	$ 390	58%	$ 1,157

Funded Status and Funding Progress. The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2011, was as follows (Thousands):

Actuarial valuation date	7/01/2011
Actuarial accrued liability (AAL)	$ 2,919
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 2,919
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,818
UAAL as a percentage of covered payroll	30%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent in fiscal year 2012. The rate decreases to 8.75 percent in fiscal year 2013, and then reduces by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2012, the State of Tennessee made payments of $2,980 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2011, made payments of $3,525. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. NATIONAL MORTGAGE SETTLEMENT FUNDS

The State of Tennessee received $41,207,810 from the United States Attorney General for the National Mortgage Settlement. In June 2012, the agency received $34,500,000 of the $41,207,810. The agency plans to use those funds to expand the Keep My Tennessee Home financial assistance program to include long term medical hardships and to provide foreclosure counseling.

NOTE 13. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2012	Mortgage Finance Program	$ 4,000,000
	Homeownership Program	60,030,000
	Housing Finance Program	11,420,000
	Total	$75,450,000

b. Homeownership Program Bonds, Issue 2012-2, were authorized by the Board of directors on July 24, 2012, not to exceed $125,000,000.

c. Housing Finance Program Bonds, Issue 2012-1, were sold on July 27, 2012. The bond maturities are as follows:

BONDS ISSUED (Thousands)			
Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2012-1	1/1/2013-7/1/2042	$133,110	0.800 to 4.500

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

September 1, 2012	Homeownership Program	$43,865,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2012	Mortgage Finance Program	$ 3,015,000
	Homeownership Program	56,055,000
	Housing Finance Program	9,350,000
	Total	$68,420,000

NOTE 14. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

a. Homeownership Program Bonds, Issue 2012-2, were sold on November 15, 2012. The bond maturities are as follows:

BONDS ISSUED (Thousands)			
Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2012-2	7/1/2013-7/1/2043	$97,625	0.500 to 4.000

b. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2013	Mortgage Finance Program	$ 3,100,000
	Homeownership Program	84,530,000
	Housing Finance Program	11,070,000
	Total	$98,700,000

c. Homeownership Program Bonds, Issue 2013-1, were authorized by the Board of directors on January 29, 2013, not to exceed $225,000,000.

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

April 1, 2013	Mortgage Finance Program	$ 2,320,000
	Homeownership Program	40,420,000
	Housing Finance Program	6,855,000
	Total	$49,595,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%
7/1/2011	State Employee Group Plan	$ -0-	$ 2,919	$ 2,919	0%	$ 9,818	30%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS
JUNE 30, 2012
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 24,068	$ 25,278	$ 133,100	$ 36,951	$ 219,397
Investments	-	578	-	-	578
Receivables:					
Accounts	-	643	15,123	3,223	18,989
Interest	15	798	8,888	2,910	12,611
First mortgage loans	155	4,936	35,269	11,342	51,702
Due from federal government	10,991	-	-	-	10,991
Due from other funds	6,574	1	-	-	6,575
Total current assets	41,803	32,234	192,380	54,426	320,843
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	11,557	32	17,283	5,346	34,218
Investments	-	13,684	156,866	16,012	186,562
Investment Interest receivable	-	118	1,481	84	1,683
Investments	-	6,419	23,148	10,563	40,130
First mortgage loans receivable	1,400	135,372	1,306,636	601,498	2,044,906
Deferred charges	1	280	8,161	3,299	11,741
Advance to local government	3,007	-	-	-	3,007
Capital assets:					
Furniture and equipment	556	-	-	-	556
Less accumulated depreciation	(443)	-	-	-	(443)
Total noncurrent assets	16,078	155,905	1,513,575	636,802	2,322,360
Total assets	57,881	188,139	1,705,955	691,228	2,643,203
LIABILITIES					
Current liabilities:					
Accounts payable	1,171	192	55	33	1,451
Accrued payroll and related liabilities	515	-	-	-	515
Compensated absences	555	-	-	-	555
Due to primary government	71	-	-	-	71
Interest payable		1,553	30,731	11,342	43,626
Escrow deposits	-	433	-	-	433
Prepayments on mortgage loans		71	961	382	1,414
Deferred revenue - Treasury	10,408	-			10,408
Due to other funds	-	-	6,575	-	6,575
Bonds payable	-	6,070	125,125	18,040	149,235
Total current liabilities	12,720	8,319	163,447	29,797	214,283
Noncurrent liabilities:					
Bonds payable	-	52,903	1,197,112	615,931	1,865,946
Compensated absences	601	-	-	-	601
Net OPEB obligation	1,157	-	-	-	1,157
Escrow deposits	312	2,986	-	-	3,298
Total noncurrent liabilities	2,070	55,889	1,197,112	615,931	1,871,002
Total liabilities	14,790	64,208	1,360,559	645,728	2,085,285
NET ASSETS					
Invested in capital assets	114	-	-	-	114
Restricted for single family bond programs	-	117,791	345,396	45,500	508,687
Restricted for grant programs	-	6,140	-	-	6,140
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	3,153
Unrestricted	39,824	-	-	-	39,824
Total net assets	$ 43,091	$ 123,931	$ 345,396	$ 45,500	$ 557,918

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Totals
OPERATING REVENUES					
Mortgage interest income	$ -	$ 6,262	$ 82,569	$ 27,184	$ 116,015
Investment income:					
Interest	6	1,324	9,122	1,220	11,672
Net (decrease) in the fair value of investments	-	(242)	868	(306)	320
Federal grant administration fees	14,475	-	-	-	14,475
Fees and other income	2,803	415	-	-	3,218
Total operating revenues	17,284	7,759	92,559	28,098	145,700
OPERATING EXPENSES					
Salaries and benefits	15,671	-	-	-	15,671
Contractual services	3,208	-	-	-	3,208
Materials and supplies	184	-	-	-	184
Rentals and insurance	100	-	-	-	100
Other administrative expenses	482	-	-	-	482
Other program expenses	1,360	4,277	5,833	257	11,727
Interest expense	50	3,568	63,866	20,351	87,835
Mortgage service fees	-	427	5,205	1,907	7,539
Issuance costs	-	32	574	136	742
Depreciation	144	-	-	-	144
Total operating expenses	21,199	8,304	75,478	22,651	127,632
Operating income (loss)	(3,915)	(545)	17,081	5,447	18,068
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	259,454	917	-	-	260,371
Payment from primary government	34,500	-	-	-	34,500
Federal grants expenses	(259,504)	(1,083)	-	-	(260,587)
Local grants expenses	(66)	(5,979)	(8,345)	-	(14,390)
Total nonoperating revenues (expenses)	34,384	(6,145)	(8,345)	-	19,894
Income (loss) before transfers	30,469	(6,690)	8,736	5,447	37,962
Transfers (to) other funds	-	(457)	(12,268)	-	(12,725)
Transfers from other funds	7,083	-	-	5,642	12,725
Change in net assets	37,552	(7,147)	(3,532)	11,089	37,962
Total net assets, July 1	5,539	131,078	348,928	34,411	519,956
Total net assets, June 30	$ 43,091	$ 123,931	$ 345,396	$ 45,500	$ 557,918

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Totals
Cash flows from operating activities:					
Receipts from customers	$ 59	$ 22,685	$ 298,420	$ 57,029	$ 378,193
Receipts from federal government	15,243	-	-	-	15,243
Receipts from other funds	-	-	5,518	-	5,518
Other miscellaneous receipts	2,803	415	-	-	3,218
Acquisition of mortgage loans	-	(10,400)	(22,949)	(202,391)	(235,740)
Payments to service mortgages	-	(427)	(5,205)	(1,907)	(7,539)
Payments to suppliers	(5,342)	(4,050)	(7,757)	(290)	(17,439)
Payments to federal government	-	-	(1,216)	-	(1,216)
Payments to other funds	(4,865)	(653)	-	-	(5,518)
Payments to employees	(15,644)	-	-	-	(15,644)
Net cash provided (used) by operating activities	(7,746)	7,570	266,811	(147,559)	119,076
Cash flows from non-capital financing activities:					
Operating grants received	307,481	917	-	-	308,398
Transfers in (out)	7,083	(457)	(12,268)	5,642	-
Negative cash balance implicitly financed (repaid)	(10,913)	-	-	-	(10,913)
Proceeds from sale of bonds	-	-	142,494	105,888	248,382
Operating grants paid	(263,073)	(7,062)	(8,345)	-	(278,480)
Cost of issuance paid	-	-	(1,098)	(1,145)	(2,243)
Principal payments	(3,250)	(13,880)	(335,120)	(20,690)	(372,940)
Interest paid	(50)	(3,750)	(69,250)	(16,233)	(89,283)
Net cash provided (used) by non-capital financing activities	37,278	(24,232)	(283,587)	73,462	(197,079)
Cash flows from capital and related financing activities:					
Purchases of capital assets	(100)	-	-	-	(100)
Net cash (used) by capital and related financing activities	(100)	-	-	-	(100)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	61,681	235,303	124,840	421,824
Purchases of investments	-	(49,729)	(231,015)	(132,254)	(412,998)
Investment interest received	6	1,441	9,606	1,258	12,311
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	5	3	8
Net cash provided (used) by investing activities	6	13,393	13,899	(6,153)	21,145
Net increase (decrease) in cash and cash equivalents	29,438	(3,269)	(2,877)	(80,250)	(56,958)
Cash and cash equivalents, July 1	6,187	28,579	153,260	122,547	310,573
Cash and cash equivalents, June 30	$ 35,625	$ 25,310	$ 150,383	$ 42,297	$ 253,615

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2012
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	$ (3,915)	$ (545)	$ 17,081	$ 5,447	$ 18,068
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	144	32	574	136	886
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	-	267	6,626	(2,135)	4,758
(Increase) decrease in mortgage interest receivable	59	127	783	(786)	183
(Increase) decrease in first mortgage loans receivable	(41)	6,736	185,722	(169,627)	22,790
Decrease in due from federal government	768	-	-	-	768
(Increase) decrease in deferred charges	1	42	(1,912)	(43)	(1,912)
Decrease in interfund receivables	-	-	5,518	-	5,518
(Decrease) in interfund payables	(4,865)	(653)	-	-	(5,518)
Increase (decrease) in accounts payable	(309)	(922)	(241)	12	(1,460)
Increase in accrued payroll / compensated absences	368	-	-	-	368
(Decrease) in arbitrage rebate liability	-	-	(1,216)	-	(1,216)
Investment income included as operating revenue	(6)	(1,082)	(9,990)	(914)	(11,992)
Interest expense included as operating expense	50	3,568	63,866	20,351	87,835
Total adjustments	(3,831)	8,115	249,730	(153,006)	101,008
Net cash provided (used) by operating activities	$ (7,746)	$ 7,570	$ 266,811	$ (147,559)	$ 119,076
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	$ -	$ 60	$ 12,450	$ 93	$ 12,603
Total noncash investing, capital, and financing activities	$ -	$ 60	$ 12,450	$ 93	$ 12,603

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET ASSETS - MORTGAGE FINANCE PROGRAM
JUNE 30, 2012
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 10,700	$ 12,778	$ 23,478	$ 1,800	$ 25,278
Investments	-	578	578	-	578
Receivables:					
Accounts	336	302	638	5	643
Interest	694	103	797	1	798
First mortgage loans	4,505	431	4,936	-	4,936
Due from other funds	-	1	1	-	1
Total current assets	16,235	14,193	30,428	1,806	32,234
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	32	-	32	-	32
Investments	13,684	-	13,684	-	13,684
Investment interest receivable	118	-	118	-	118
Investments	284	5,784	6,068	351	6,419
First mortgage loans receivable	129,258	6,114	135,372	-	135,372
Deferred charges	280	-	280	-	280
Total noncurrent assets	143,656	11,898	155,554	351	155,905
Total assets	159,891	26,091	185,982	2,157	188,139
LIABILITIES					
Current liabilities:					
Accounts payable	3	189	192	-	192
Interest payable	1,553	-	1,553	-	1,553
Escrow deposits	-	-	-	433	433
Prepayments on mortgage loans	64	7	71	-	71
Bonds payable	6,070	-	6,070	-	6,070
Total current liabilities	7,690	196	7,886	433	8,319
Noncurrent liabilities:					
Bonds payable	52,903	-	52,903	-	52,903
Escrow deposits	-	1,407	1,407	1,579	2,986
Total noncurrent liabilities	52,903	1,407	54,310	1,579	55,889
Total liabilities	60,593	1,603	62,196	2,012	64,208
NET ASSETS					
Restricted for single family bond programs	99,298	18,348	117,646	145	117,791
Restricted for grant programs	-	6,140	6,140	-	6,140
Total net assets	$ 99,298	$ 24,488	$ 123,786	$ 145	$ 123,931

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

December 31, 2012

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET ASSETS
(Expressed in Thousands)
(Unaudited)

	December 31, 2012 (with comparative totals as of December 31, 2011)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 12/31/2012	Total 12/31/2011
ASSETS						
Current assets:						
Cash and cash equivalents	$ 17,891	$ 24,415	$ 218,804	$ 43,552	$ 304,662	$ 392,162
Investments	-	-	-	-	-	10,594
Receivables:						
Accounts	-	622	21,577	3,607	25,806	33,482
Interest	8	796	9,134	3,248	13,186	13,915
First mortgage loans	155	4,701	35,589	11,328	51,773	50,790
Due from federal government	12,595	-	-	-	12,595	3,278
Due from other funds	6,557	18	-	-	6,575	3,457
Total current assets	37,206	30,552	285,104	61,735	414,597	507,678
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	10,084	32	9,551	3,171	22,838	14,492
Investments	-	13,561	162,511	18,206	194,278	202,828
Investment interest receivable	-	119	1,484	87	1,690	1,958
Investments	-	11,027	14,326	5,878	31,231	72,551
First mortgage loans receivable	1,236	133,605	1,287,672	580,349	2,002,862	2,052,677
Deferred charges	-	244	8,862	3,152	12,258	13,562
Advance to local government	3,018	-	-	-	3,018	2,995
Capital assets:						
Furniture and equipment	556	-	-	-	556	547
Less accumulated depreciation	(443)	-	-	-	(443)	(360)
Total noncurrent assets	14,451	158,588	1,484,406	610,843	2,268,288	2,361,250
Total assets	51,657	189,140	1,769,510	672,578	2,682,885	2,868,928
LIABILITIES						
Current liabilities:						
Warrants / wires payable	-	-	-	-	-	10,118
Accounts payable	-	2	-	-	2	2
Compensated absences	560	-	-	-	560	518
Interest payable	-	1,381	29,064	10,696	41,141	45,336
Escrow deposits	-	461	-	-	461	493
Prepayments on mortgage loans	-	72	1,005	380	1,457	1,682
Deferred revenue - U.S. Treasury	9,368	-	-	-	9,368	-
Due to other funds	-	-	6,575	-	6,575	3,457
Bonds payable	-	5,060	106,660	17,635	129,355	226,530
Total current liabilities	9,928	6,976	143,304	28,711	188,919	288,136
Noncurrent liabilities:						
Bonds payable	-	46,974	1,290,433	595,381	1,932,788	2,051,036
Compensated absences	590	-	-	-	590	547
Net OPEB obligation	1,157	-	-	-	1,157	1,029
Escrow deposits	225	1,959	-	-	2,184	4,197
Arbitrage rebate payable	-	-	-	-	-	1,268
Total noncurrent liabilities	1,972	48,933	1,290,433	595,381	1,936,719	2,058,077
Total liabilities	11,900	55,909	1,433,737	624,092	2,125,638	2,346,213
NET ASSETS						
Invested in capital assets	113	-	-	-	113	157
Restricted for single family bond programs	-	117,806	335,773	48,486	502,065	510,116
Restricted for grant programs	-	15,424	-	-	15,424	9,259
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154	3,154
Unrestricted	36,490	-	-	-	36,490	-
Total net assets	$ 39,757	$ 133,230	$ 335,773	$ 48,486	$ 557,246	$ 522,686

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2012
(with comparative totals for the six months ended December 31, 2011)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 12/31/2012	Total 12/31/2011
OPERATING REVENUES						
Mortgage interest income	$ 49	$ 2,783	$ 37,969	$ 15,079	$ 55,880	$ 59,448
Investment income:						
Interest	-	673	4,458	442	5,573	5,875
Net increase (decrease) in the fair value of investments	-	(378)	(2,880)	(307)	(3,565)	3,338
Federal grant administration fees	7,134	-	-	-	7,134	6,845
Fees and other income	658	277	-	-	935	2,008
Total operating revenues	7,841	3,355	39,547	15,214	65,957	77,514
OPERATING EXPENSES						
Salaries and benefits	7,949	-	-	-	7,949	7,765
Contractual services	1,091	-	-	-	1,091	1,075
Materials and supplies	86	-	-	-	86	82
Rentals and insurance	61	-	-	-	61	49
Other administrative expenses	207	-	-	-	207	209
Other program expenses	1,137	2,103	1,172	112	4,524	5,091
Interest expense	-	1,517	28,844	10,656	41,017	45,014
Mortgage service fees	-	201	2,408	1,088	3,697	3,752
Issuance costs	-	13	280	77	370	363
Total operating expenses	10,531	3,834	32,704	11,933	59,002	63,400
Operating income (loss)	(2,690)	(479)	6,843	3,281	6,955	14,114
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	113,932	-	-	-	113,932	137,408
Other grant revenue	17	-	-	-	17	-
Federal grants expenses	(113,794)	193	-	-	(113,601)	(142,035)
Local grants expenses	(695)	(3,277)	(4,003)	-	(7,975)	(6,757)
Total nonoperating revenues (expenses)	(540)	(3,084)	(4,003)	-	(7,627)	(11,384)
Income (loss) before transfers	(3,230)	(3,563)	2,840	3,281	(672)	2,730
Transfers (to) other funds	(104)	-	(12,463)	(295)	(12,862)	(9,176)
Transfers from other funds	-	12,862	-	-	12,862	9,176
Change in net assets	(3,334)	9,299	(9,623)	2,986	(672)	2,730
Total net assets, July 1	43,091	123,931	345,396	45,500	557,918	519,956
Total net assets, End of period	$ 39,757	$ 133,230	$ 335,773	$ 48,486	$ 557,246	$ 522,686

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2012
(with comparative totals for the six months ended December 31, 2011)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 12/31/2012	Total 12/31/2011
Cash flows from operating activities:						
Receipts from customers	$ 121	$ 9,844	$ 157,802	$ 35,491	$ 203,258	$ 179,319
Receipts from federal government	7,840	-	-	-	7,840	7,222
Receipts from other funds	17	-	-	-	17	1,809
Other miscellaneous receipts	658	277	-	-	935	2,008
Acquisition of mortgage loans	-	(6,015)	(107,889)	-	(113,904)	(114,537)
Payments to service mortgages	-	(201)	(2,408)	(1,088)	(3,697)	(3,752)
Payments to suppliers	(3,358)	(2,270)	(2,279)	(196)	(8,103)	(8,316)
Payments to other funds	-	(17)	-	-	(17)	(1,809)
Payments to employees	(8,093)	-	-	-	(8,093)	(8,283)
Net cash provided (used) by operating activities	(2,815)	1,618	45,226	34,207	78,236	53,661
Cash flows from non-capital financing activities:						
Operating grants received	110,529	-	-	-	110,529	148,612
Transfers in (out)	(104)	12,862	(12,463)	(295)	-	-
Negative cash balance implicitly financed (repaid)	-	-	-	-	-	(795)
Proceeds from sale of bonds	-	-	236,952	-	236,952	248,382
Operating grants paid	(115,260)	(3,084)	(4,003)	-	(122,347)	(153,067)
Cost of issuance paid	-	-	(1,900)	-	(1,900)	(2,238)
Principal payments	-	(7,015)	(159,950)	(20,770)	(187,735)	(112,780)
Interest paid	-	(1,613)	(30,686)	(11,366)	(43,665)	(44,766)
Net cash provided (used) by non-capital financing activities	(4,835)	1,150	27,950	(32,431)	(8,166)	83,348
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	23,196	131,896	42,903	197,995	190,914
Purchases of investments	-	(27,480)	(131,606)	(40,719)	(199,805)	(237,773)
Investment interest received	-	653	4,499	466	5,618	5,923
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	7	-	7	8
Net cash provided (used) by investing activities	-	(3,631)	4,796	2,650	3,815	(40,928)
Net increase (decrease) in cash and cash equivalents	(7,650)	(863)	77,972	4,426	73,885	96,081
Cash and cash equivalents, July 1	35,625	25,310	150,383	42,297	253,615	310,573
Cash and cash equivalents, End of period	$ 27,975	$ 24,447	$ 228,355	$ 46,723	$ 327,500	$ 406,654

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

	For the Six Months Ended December 31, 2012 (with comparative totals for the six months ended December 31, 2011)					
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Total 12/31/2012	Total 12/31/2011
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (2,690)	$ (479)	$ 6,843	$ 3,281	$ 6,955	$ 14,114
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	-	13	280	77	370	363
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	21	(6,454)	(384)	(6,817)	(9,735)
(Increase) decrease in mortgage interest receivable	7	21	(290)	(365)	(627)	(807)
Decrease in first mortgage loans receivable	152	2,002	18,644	21,163	41,961	15,942
Decrease in due from federal government	706	-	-	-	706	325
(Increase) decrease in deferred charges	-	23	(1,052)	(51)	(1,080)	(1,119)
Decrease in interfund receivables	17	-	-	-	17	1,809
(Decrease) in interfund payables	-	(17)	-	-	(17)	(1,809)
(Decrease) in accounts payable	(486)	(1,188)	(11)	(35)	(1,720)	(910)
(Decrease) in accrued payroll / compensated absences	(521)	-	-	-	(521)	(365)
Increase in arbitrage rebate liability	-	-	-	-	-	52
Investment income included as operating revenue	-	(295)	(1,578)	(135)	(2,008)	(9,213)
Interest expense included as operating expense	-	1,517	28,844	10,656	41,017	45,014
Total adjustments	(125)	2,097	38,383	30,926	71,281	39,547
Net cash provided (used) by operating activities	$ (2,815)	$ 1,618	$ 45,226	$ 34,207	$ 78,236	$ 53,661
Noncash investing, capital, and financing activities:						
Increase (decrease) in fair value of investments	-	(223)	(2,338)	(121)	(2,682)	3,654
Total noncash investing, capital, and financing activities	$ -	$ (223)	$ (2,338)	$ (121)	$ (2,682)	$ 3,654

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution are expected to be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price. However, under the General Resolution, some or all of these requirements may be modified by a Supplemental Resolution with respect to Program Loans financed with the proceeds of Bonds subsequently issued pursuant to such Supplemental Resolution.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien or other approved lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank and Magna Bank (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 83% of THDA's entire portfolio of mortgage loans. Magna Bank services the remainder. THDA itself is also permitted to service Program Loans on limited basis. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA. The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

2013 GENERAL RESOLUTION

This Appendix D includes the General Residential Finance Program Bond Resolution (the "2013 General Resolution") adopted by the THDA Board of Directors on January 29, 2013, as amended and supplemented by the Bond Finance Committee of the THDA Board of Directors on April 18, 2013.

TENNESSEE HOUSING DEVELOPMENT AGENCY

General Residential Finance Program Bond Resolution

Adopted January 29, 2013
as amended and supplemented
by the Bond Finance Committee of
THDA on April 18, 2013

ARTICLE V
FUNDS

ARTICLE VI
REDEMPTION OF BONDS

ARTICLE VII
PARTICULAR COVENANTS

ARTICLE VIII
SUPPLEMENTAL RESOLUTIONS

ARTICLE IX
AMENDMENTS

ARTICLE X
DEFAULTS AND REMEDIES

ARTICLE XI
CONCERNING THE FIDUCIARIES

ARTICLE XII
DEFEASANCE MISCELLANEOUS PROVISIONS

General Residential Finance Program Bond Resolution

BE IT RESOLVED *by the Board of Directors of THDA as follows:*

ARTICLE I

SHORT TITLE, DEFINITIONS AND INTERPRETATION

Section 1.1. Short Title. This resolution may hereafter be cited by THDA and is hereinafter sometimes referred to as the "General Residential Finance Program Bond Resolution."

Section 1.2. Definitions. In this Resolution, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means one or more, as the case may be, of the Accounts established pursuant to this Resolution.

"*Accountant*" means the department of audit, division of state audit, in the office of the Comptroller of the Treasury of the State or an independent certified public accountant or firm of independent certified public accountants as may be selected in accordance with applicable laws and may be the accountant or firm of accountants who regularly audit the books and accounts of THDA.

"*Act*" means the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, Sections 13-23-01 et seq., as amended.

"*Aggregate Debt Service*" means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

"*Appreciation Bond*" means any Bond whose Issue Amount is less than 97.5% of the Maturity Amount.

"*Authorized Officer*" means the Chairman and Executive Director of THDA and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of THDA then authorized to perform such act or discharge such duty.

"*Bond" or "Bonds"* means any Residential Finance Program Bond authenticated and delivered under this Resolution and issued under a Supplemental Resolution.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by THDA.

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond means the registered owner of any Outstanding Bond.

"*Bond Reserve Fund*" means the Bond Reserve Fund established pursuant to Section 5.1.

"*Bond Reserve Fund Requirement*" means, as of any date of calculation, the greater of (i) an amount equal to the aggregate of the respective amounts for each Series of Bonds, if any, established in the Supplemental Resolution authorizing such Series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Resolution or (ii) the report of an accountant as to audit or other procedures called for by this Resolution.

"*Code*" means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"*Compounded Amount*" means, as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by THDA in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to Section 2.6, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to Section 2.6. Any determination of Compounded Amount shall assume semi-annual compounding on each January 1 and July 1, straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Debt Service*" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"*Event of Default*" means any of the events specified in Section 10.1.

"*Federal Mortgage Agency*" means the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

"*Fiduciary*" means the Trustee and any Paying Agent, or any or all of them as may be appropriate.

"*Final Compounding Date*" means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year.

"*Fund*" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"*Interest Payment Date*" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"*Internal Rate of Return*" when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to Section 2.6 and compounded semi-annually, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Investment Securities*" means and includes any of the following obligations, to the extent the same are consistent with the then existing investment policy of THDA and at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) bonds, notes and treasury bills of the United States of America or other obligations guaranteed as to principal and interest by the United States of America or any of its agencies;

(2) obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association;

(3) repurchase agreements for obligations of the United States of America or its agencies with any financial institution with long-term unsecured debt rated at least "AA" by S&P and "Aa3" by Moody's;

(4) certificates of deposit in banks and savings and loan associations recognized as "State Depositories" pursuant to Section 9-4-107 of the Tennessee Code Annotated; provided, that certificates of deposit are collateralized in accordance with Section 9-4-403 of the Tennessee Code Annotated, and provided, further, that the provider of such certificate of deposit shall have a long-term unsecured debt rating of at least "AA-" by S&P and "Aa3" by Moody's;

(5) prime commercial paper which shall be rated in the highest category by S&P and Moody's;

(6) prime banker's acceptances (having maturities of not more than 365 days) that are eligible for purchase by the federal reserve system, provided by any bank, the short-term obligations of which are rated at least "A-1+" by S&P and "P-1" by Moody's;

(7) guaranteed investment contracts with any financial institution with a long-term unsecured debt rating of at least "AA" by S&P and "Aa3" by Moody's; provided that such guaranteed investment contract shall have a termination date no later than five and one half years from the date of issuance of the related series of Bonds, except that the termination date with respect to a guaranteed investment contract for any funds on deposit in the Bond Reserve Fund shall be no later than the maturity date of the related series of Bonds; and

(8) any other investments which, at the time of such investment, are authorized for investment of funds of THDA under the Act and would not adversely affect the then current rating assigned to the Bonds.

"*Issuance Amount*" means the price, exclusive of accrued interest (if any), at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, Costs of Issuance, or similar costs.

"*Loan Fund*" means the Loan Fund established in Section 5.1.

"*Maturity Amount*" means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on a semi-annual basis.

"*Moody's*" means Moody's Investors Service, Inc., and any successor.

"*Non-Mortgage Receipts*" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund, but shall not include Revenues.

"*Non-Mortgage Receipts Account*" means the Non-Mortgage Receipts Account established in the Revenue Fund pursuant to this Resolution.

"*Outstanding*," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(B), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.6, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"*Paying Agent*" means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"*Permitted Encumbrances*" means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to THDA, indemnity has been provided or similar steps to secure the interest of THDA have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as THDA shall determine do not impair the use or value of the premises.

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in subsection 5.3(D), of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"*Program*" means the various programs for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such programs are financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"*Program Expenses*" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"*Program Guidelines*" means the Program Guidelines adopted by THDA for the Program as in effect on the date of adoption of this Resolution and as revised, amended, altered or supplemented from time to time in accordance with the Act.

"*Program Loan*" means any obligation, including a participation interest therein, acquired by THDA by the expenditure of amounts in the Loan Fund. Such Program Loan shall be made to finance the acquisition of residential housing, or if authorized by a Supplemental Resolution, to finance costs of improvements to or rehabilitation of residential housing or to provide down payment and closing cost assistance. If authorized by a Supplemental Resolution, the term "Program Loan" shall also include a Program Security backed by a pool of Program Loans satisfying any conditions as may be set forth in such Supplemental Resolution.

"*Program Loan Loss Coverage*" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"*Program Security*" means an obligation representing an undivided interest in a pool of Program Loans issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

"*Projected Cash Flow Statement*" means a Certificate delivered pursuant to the provisions of Section 7.11.

"*Rating Agency*" means any nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of THDA; initially, Moody's and S&P.

"*Redemption Account*" means the Redemption Account which is established and created in the Revenue Fund pursuant to this Resolution.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to this Resolution.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bond*" means any Bond authenticated and delivered on original issuance pursuant to Section 2.7 or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to this Resolution.

"*Resolution*" means this Resolution and any amendments or supplements made in accordance with its terms.

"*Revenue Fund*" means the Revenue Fund established pursuant to Section 5.1.

"*Revenues*" means, upon receipt thereof by THDA, all payments proceeds, rents, charges and other cash income received by THDA from or on account of any Program Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, principal and interest on any Program Loan) or Program Security, but excludes (i) any amount retained by a servicer of any Program Loan as compensation for services rendered in connection with such Program Loan, (ii) any payments for the guaranty or insurance of any Program Loan or Program Security, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Loan and (iv) payments or charges constituting construction performance or completion reserves required pursuant to a Program Loan.

"*S&P*" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, and any successor.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

"*State*" means the State of Tennessee.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of this Resolution, adopted by THDA and effective in accordance with Article VIII.

"*THDA*" means the Tennessee Housing Development Agency, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of THDA.

"*Trustee*" means U.S. Bank National Association, the Trustee appointed as provided in Section 11.1 and its successor or successors and any other person at any time substituted in its place pursuant to this Resolution.

Section 1.3. Interpretation. In this Resolution, unless the context otherwise requires:

(1) the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Resolution, refer to this Resolution, and the term “heretofore” means before, and the term “hereafter” means after, the date of adoption of this Resolution;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(5) if at any time there shall be one person who shall be the holder of all of the Outstanding Bonds and the consent of the Trustee shall be required, the consent of such person shall be required in lieu of the consent of the Trustee, unless such person shall have been notified and shall not have consented within a reasonable period of time;

(6) this Resolution shall be governed by and construed in accordance with the applicable laws of the State;

(7) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of said Bond;

(8) the date upon which any Sinking Fund Payment is required to be paid pursuant to this Resolution and the provisions of the Bonds of each Series shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(9) the verb “finance”, when used with reference to a Program Loan, shall be construed to include (i) the making or purchase of such Program Loan (ii) the participation by THDA, either with itself or with others, in the making or purchase thereof or (iii) the permanent financing of a Program Loan which has been temporarily financed by THDA through the issuance of notes or other obligations or otherwise;

(10) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon;

(11) any moneys, documents, securities, obligations or other items received by the Trustee pursuant to the terms of this Resolution shall be deemed to have been received by THDA;

(12) any reference in this Resolution to principal or interest on bonds which is payable on a certain date or during a certain period of time is a reference to an amount payable on such date or during such period and does not include the obligation to pay any principal or interest after such date or period;

(13) any reference to the principal amount of Bonds shall be a reference to the Maturity Amount or the Compounded Amount thereof as of any particular date of computation in the case of Appreciation Bonds and shall mean the amount, irrespective of interest, payable upon the maturity of any Bond which is not an Appreciation Bond;

(14) references to “semi-annual” payments of interest or compounding of yield refer to payment or compounding on January 1 and July 1 of each year; and

(15) the “Compounded Amount” of an Appreciation Bond represents an accrual of the principal amount thereof payable at maturity and does not represent interest thereon, except that, for purposes of

determining the Redemption Price of a Bond, the priority of payments under Section 10.3 and the required principal amount in connection with approvals and consents of Bondholders pursuant to this resolution, any increase in the Compounded Amount occurring since the most recent Interest Payment Date shall be treated as if it were interest.

(B) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than THDA, the Fiduciaries and the holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of THDA, shall be for the sole and exclusive benefit of THDA, the Fiduciaries and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of THDA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.1. Authorization for Resolution and Bonds. This Resolution and the issuance of Bonds hereunder have been duly authorized by THDA and the principal amount of Bonds that may be issued hereunder is not limited except as provided herein or by law. THDA has ascertained and it is hereby determined and declared that the adoption of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of THDA in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the purposes of THDA under the Act.

Section 2.2. Resolution to Constitute Contract. The provisions of this Resolution shall be deemed to be and shall constitute a contract among THDA, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of THDA shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

Section 2.3. Obligation of Bonds.

(A) This Resolution creates an issue of Bonds of THDA and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest on such Bonds, including any Sinking Fund Payments for the retirement thereof. The Bonds shall be special, limited obligations of THDA payable solely from the revenues and assets pledged therefor pursuant to this Resolution. The Bonds shall not be deemed to constitute a debt, liability, or obligation of the State or of any other political subdivision thereof, and neither the full faith and credit, nor the taxing power of the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds. The Bonds shall contain on their face a statement that THDA shall not be obligated to pay the Bonds, nor the interest thereon, except from the revenues or assets pledged by THDA therefor and that neither the full faith and credit, nor the taxing power of the State or of any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds.

(B) The Revenues and Non-Mortgage Receipts and all amounts held in any Fund or Account, including investments thereof, are hereby pledged to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. In addition, subject to the provisions of subsection 10.2(D), THDA hereby pledges and assigns, to secure the payment of the Bonds, all right, title and interest of THDA in and to the Program Loans, including any extensions and renewals thereof. To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice hereof.

Section 2.4. Authorization of Bonds. In order to provide sufficient funds for the operation of the Program or for the refunding of Bonds, bonds of THDA are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided by law. No Bonds shall be issued unless they are part of an issue described in a Supplemental Resolution and until the conditions contained in Section 2.6 or, in the case of Refunding Bonds, Section 2.7 are satisfied.

Section 2.5. Issuance and Delivery of Bonds. After their authorization by THDA, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication and, upon compliance by THDA with the requirements of Section 2.6 and, in the case of Refunding Bonds, Section 2.7, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of THDA.

Section 2.6. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be executed by THDA for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to THDA or upon its order, but only upon the receipt by the Trustee of:

(1) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

(a) the authorized principal amount (by reference to the amount payable at maturity thereof) and designation of such Bonds;

(b) the purposes for which such Bonds are being issued, which shall be one or more of the following: (i) the making of deposits into the Loan Fund, (ii) the making of deposits in at least the amounts, if any, required by this Resolution into the Revenue Fund and Bond Reserve Fund, (iii) the refunding of any Bonds, or (iv) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds (or the manner of determining such dates);

(d) the interest rates of such Bonds (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Bonds;

(f) the Paying Agents and the places of payment of such Bonds or, subject to Article XI, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of Article VI, the redemption terms for such Bonds or the manner of determining such Redemption Prices or terms of redemption;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds of like maturity or the manner of determining such amounts and dates;

(i) provisions for the time, place and manner of such sale of such Bonds, as provided in the Act;

(j) provisions concerning the forms of such Bonds and of the Trustee's certificate of authentication; and

(k) any other provisions deemed advisable by THDA as shall not conflict with the provisions hereof;

(2) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution and any other authorization or determination necessary as a condition precedent to the delivery of such Bonds has been

duly and lawfully adopted or made and is in full force and effect; (ii) this Resolution has been duly and lawfully authorized, executed and delivered by THDA and is valid and binding upon, and enforceable against, THDA (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Resolution creates the valid pledge which it purports to create of the Revenues and of moneys and securities or deposit in any of the Funds established hereunder, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (iv) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Resolution;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer and attaching a schedule of Compounded Amounts in the event THDA wishes to specify such amounts with respect to any Appreciation Bonds which constitute a portion of such issue;

(4) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to Section 4.1;

(5) except in the case of the initial Series of Bonds hereunder, a Certificate of an Authorized Officer stating that the conditions of Section 7.14 for the issuance of additional Bonds have been met;

(6) a Projected Cash Flow Statement, as of the date of such delivery, complying with the conditions of subsection 7.11(C); and

(7) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution entered into pursuant to Article VIII.

Section 2.7. Conditions Precedent to Delivery of Refunding Bonds.

(A) In addition to the requirements of Section 2.6, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(1) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the obligations to be refunded (which may include Bonds, or bonds or other obligations of THDA issued pursuant to THDA resolutions other than the Resolution) and the payment or redemption dates, if any, upon which such obligations are to be paid or redeemed;

(2) if the obligations to be refunded are to be redeemed subsequent to the next succeeding ninety days, irrevocable instructions to the Trustee to give, in accordance with the appropriate resolution of THDA which authorized the issuance of such obligations, notice of the redemption of such obligations on a specified date prior to their redemption date; and

(3) either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the obligations to be refunded, together with accrued interest on such obligations to the due date or redemption date, or (ii) Investment Securities as described in subsection (B) of Section 12.1 (or, as applicable, such other investments as required by the appropriate resolution of THDA which authorized the issuance of such obligations to cause such obligations to be similarly defeased), the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or redemption price of the obligations to be refunded, together with accrued interest on such obligations to the redemption dates or dates of maturity thereof, which moneys or appropriate investments shall be held by the Trustee or any one or more of the Paying Agents in the Redemption Fund, or, as applicable, by the Trustee under the resolution of THDA which authorized the issuance of such obligations.

(B) To the extent the obligations being refunded are Bonds issued hereunder, except as provided in Section 12.1 or paragraph 10.2(A)(6), neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (A)(3) of this Section or principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in subsection 12.1(B) maturing at times and in amounts sufficient to pay when due the principal or applicable Redemption Price of such Bonds, together with such accrued interest. Nothing in this Section, however, is intended to restrict the use of amounts received on account of any portion of the principal or interest on any Investment Securities deposited pursuant to subsection (A) above which are in excess of the amounts required to be so deposited in order to provide moneys sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds and, to the extent such Bonds have been deemed to have been paid within the meaning of Section 12.01, such amounts may be pledged by THDA and withdrawn by THDA as received and applied to any purpose of THDA, free and clear of the lien of this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Medium of Payment, Denomination, Maturities, Form and Date.

(A) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Except as may otherwise be provided in a Supplemental Resolution, all Bonds shall be in the denomination of $5,000 each or in denominations of any whole multiple thereof.

(C) Except as may otherwise be provided in a Supplemental Resolution, the date upon which any Principal Installment with respect to a Series of Bonds is payable shall be the first day of any January or July. Except as may otherwise be provided in a Supplemental Resolution, interest on each Bond shall be payable semiannually on the first day of any January or July commencing, with respect to any Series of Bonds, on the January 1 or July 1 set forth in the Supplemental Resolution adopted in connection with the issuance of such Series.

(D) Bonds shall be issued in fully registered form, without coupons.

(E) All Bonds shall bear interest from their date unless another date for the accrual of interest thereon is specified in such Bond. Interest may be made payable at a final or variable rate, based on the principal amount of the Bond (including the Compounded Amount from time to time), or upon any other amount specified in the Bond or incorporated therein by reference. Upon the original delivery of the Bonds or an exchange or transfer of Bonds pursuant to Section 3.5 or Section 3.6 hereof, the Trustee shall note the date of authentication on each Bond to be delivered. Each Bond delivered upon transfer or in exchange for or in lieu of any other Bond shall carry all the right to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise.

Section 3.3. Interchangeability of Bonds. Upon surrender thereof at the principal or corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Bonds may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.6, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any of the authorized denominations.

Section 3.4. Negotiability and Registry. All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, THDA shall maintain and keep, at the principal or corporate trust office of the Trustee, books for the registration, transfer and exchange of Bonds. So long as any of the Bonds remain Outstanding, THDA shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

Section 3.5. Transfer of Bonds.

(A) Except as provided for in Section 3.7 herein, each fully registered Bond shall be transferable only upon the books of THDA, which shall be kept for such purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such fully registered Bond, THDA shall issue in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(B) THDA and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of THDA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither THDA nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.6. Regulations With Respect to Exchanges and Transfers. Except as provided for in Section 3.6 herein, in all cases in which the privilege of exchanging or transferring Bonds is exercised, THDA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, THDA or the Trustee may make a charge sufficient to reimburse it for any expenses of THDA or the Trustee in connection therewith and for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds or as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. If the Bonds are not registered with a central depository system as provided in Section 3.7, THDA shall not be obliged to make any such exchange or transfer of Bonds (i) during the ten days preceding an Interest Payment Date on such Bonds, (ii) during the ten days preceding the date of the mailing of notice of any proposed redemption of Bonds, or (iii) with respect to any particular Bond, after such Bond has been called for redemption. THDA may, by written notice to the Trustee, establish a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, but such record date shall be not more than ten days preceding an Interest Payment Date on such Bonds or, in the case of any proposed redemption of Bonds next preceding the date of the first redemption of Bonds.

Section 3.7. Central Depository System.

(A) Notwithstanding the other provisions of this Resolution regarding registration, ownership, transfer, Bondholder consent, payment and exchange of Bonds, and the giving of notices of Bondholders as required by the provisions of this Resolution, a Supplemental Resolution may provide that all or a portion of Bonds shall be issued as book-entry only Bonds and registered in the name of a central securities depository or its nominee (the "Central Securities Depository"), in which case matters relating to registration, ownership, transfer, consent, payment and exchange of Bonds, and relating to the giving of notices to Bondholders as required by the provisions of this Resolution, shall be governed by the operational arrangements of such Central Securities Depository.

(B) With respect to Bonds registered in the registry books kept by the Trustee in the name of a Central Securities Depository, THDA and the Trustee shall have no responsibility or obligation to any participant or to any beneficial owner. Without limiting the immediately preceding sentence, THDA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Central Securities Depository or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant, any beneficial owner or any other person other than the Central Securities Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant, any beneficial owner or any other person, other than the Central Securities Depository, of any amount with respect to the principal of or premium, if any or interest on the Bonds. THDA and the Trustee may treat as and deem the Central Securities Depository to be the absolute owner of each Bond, for the purpose of payment of the principal of and premium and interest on such Bond for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Central Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge THDA's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than the Central Securities Depository shall receive an authenticated Bond evidencing the obligation of THDA to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by the Central Securities Depository to the Trustee of written notice to the effect that the Central Securities Depository has determined to substitute a new nominee, and subject to the provisions herein with respect to consents, the words "Central Securities Depository" in this Resolution shall refer to such new nominee of the Central Securities Depository.

(C) Upon receipt by THDA and the Trustee of written notice from the Central Securities Depository to the effect that the Central Securities Depository is unable or unwilling to discharge its responsibilities and no substitute the Central Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of THDA kept by the Trustee in the name of the Central Securities Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(D) In the event THDA determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates and subject to the operational arrangements of such Central Securities Depository, THDA may notify the Central Securities Depository and the Trustee, whereupon the Central Securities Depository will notify the participants, of the availability through the Central Securities Depository of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the Central Securities Depository and any other Bondowners in appropriate amounts, and whenever the Central Securities Depository requests THDA and the Trustee to do so, the Trustee and THDA will cooperate with the Central Securities Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bond to any Central Securities Depository participant having Bonds credited to its Central Securities Depository account or (ii) to arrange for another Central Securities Depository to maintain custody of certificates evidencing the Bonds.

(E) In connection with any notice of other communication to be provided to Bondholders pursuant to this Resolution by THDA or the Trustee with respect to any consent or other action to be taken by Bondholders, THDA or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Central Securities Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(F) Any transfer of a Bond affected in accordance with this Section 3.7 shall be subject to applicable laws of the State.

Section 3.8. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, THDA shall execute and the Trustee shall authenticate a new Bond of like interest rate, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and substitution for a Bond which have been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to THDA and the Trustee that such Bond have been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing THDA and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as THDA and the Trustee may prescribe and pay such expenses as THDA and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to THDA.

Section 3.9. Preparation of Definitive Bonds; Temporary Bonds.

(A) Definitive Bonds shall be typed, lithographed or printed on steel engraved borders; provided, that Bonds which are held by a Central Securities Depository shall be in form acceptable to such Central Securities Depository. Until definitive Bonds are prepared THDA may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations of $5,000 or such other denomination as may be authorized for such Bonds or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, THDA at its own expense shall prepare and execute and, without charge to the holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.10. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with THDA and the other executed Certificate shall be retained by the Trustee. Notwithstanding the foregoing, Bonds purchased by THDA shall not be cancelled to the extent that upon such purchase THDA shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond shall be purchased but not cancelled and (ii) in the event the interest on such Bonds is excludable from gross income for purposes of federal income taxation, a Bond Counsel's Opinion to the affect that the failure to cancel such Bond will not, in and of itself, adversely affect such excludability.

Section 3.11. Execution and Authentication.

(A) After their authorization by a Supplemental Resolution, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of THDA by the manual or facsimile signature of the Chairman, Vice Chairman or Executive Director of THDA and the corporate seal of THDA (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bonds of a Series may be signed and sealed on behalf of THDA by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by THDA, although the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Bonds, executed manually by the Trustee. No Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of THDA shall be conclusive evidence that the Bond so authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. The proceeds of sale of any Series of Bonds, other than the proceeds of Refunding Bonds, shall, as soon as practicable upon the delivery thereof by the Trustee pursuant to Section 2.6 be applied as follows:

(1) the amount, if any, necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Bond Reserve Fund, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Series; and

(2) the balance remaining after such deposit has been made shall be applied as specified in the Supplemental Resolution or as provided in a Certificate of an Authorized Officer.

Section 4.2. Application of Amounts in the Loan Fund. No amount in the Loan Fund shall be expended or applied for the purpose of financing Program Loans except upon compliance with the provisions of subsection 5.2(C). In addition, no Program Loan shall be financed unless such Program Loan (i) complies in all respects with the Act in effect on the date of financing and (ii) complies with any additional program covenants or requirements contained in the related Supplemental Resolution.

Section 4.3. Application of Proceeds of Refunding Bonds. The proceeds of the Refunding Bonds of a Series shall be deposited in the Redemption Account or the Debt Service and Expense Account as provided in the Supplemental Resolution authorizing such Bonds.

Section 4.4. Deposits. Except as provided in Sections 2.7 and 12.1 and subject to the right of THDA to direct the deposit of funds, whenever such amounts are not invested in Investment Securities, the Trustee shall, if permitted by law, deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of this Resolution in interest-bearing time deposits or certificates of deposit, or may enter into repurchase agreements or make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor. Each such interest-bearing time deposit, repurchase agreement or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed by THDA to be expended and, except to the extent that any such deposits shall be insured by the United States of America or the Federal Deposit Insurance Corporation, or its successor, on terms which in the judgment of THDA (as expressed in written instructions to the Trustee) provide reasonable liquidity, all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar banking arrangement shall be either continuously and fully secured under the laws of the State as determined by Board of Directors of THDA by Investment Securities (or other obligations rated in either of the two highest rating categories by a nationally recognized rating service) having a market value equal at all times to the amount of the interest-bearing time deposit, repurchase agreement, certificate of deposit or other similar banking arrangement. Notwithstanding the foregoing, repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with and recognized as primary dealers by a Federal Reserve Bank and may be entered into with any other person if (i) all amounts payable thereunder, are fully and continuously secured by Investment Securities of the type described in clauses (1) through (6) of the definition thereof in Section 1.2, (ii) the Trustee shall receive confirmation that such securities are being held for the benefit (and subject to the direction) of the Trustee by a national bank or member bank of the Federal Reserve System other than the obligor under such arrangement and (iii) the market value of the Investment Securities being held shall be maintained at a level sufficient to maintain the then current rating on the Bonds by each Rating Agency.

Section 4.5. Investment of Certain Funds.

(A) Subject to the right of THDA to direct the investment or deposit of funds hereunder in accordance with this Section, moneys in any Fund shall be continuously invested and reinvested or deposited and redeposited in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing current return (with proper preservation of principal) and minimizing the instances of uninvested funds. THDA shall consult with the Trustee from time to time as to the investment of amounts in the Funds established or confirmed by this Resolution. THDA may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in any Fund in Investment Securities in accordance with this Section and toward the objective that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended.

(B) Investment Securities purchased as an investment of moneys in any Fund held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such Fund but, except as may be otherwise provided for amounts deposited in the Redemption Fund in connection with the issuance of Refunding Bonds, the income or interest earned and gains realized in excess of losses suffered by a Fund due to the investment thereof shall be deposited as Non-Mortgage Receipts in the Non-Mortgage Receipts Account or shall be credited as Non-Mortgage Receipts to the Non-Mortgage Receipts Account from time to time and reinvested.

(C) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to this Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for which such investment was made or whenever, in the discretion of THDA, any such sale or presentment is necessary in compliance with Section 7.9. The Trustee shall advise THDA in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund in its custody under the provisions of this Resolution as of the end of the preceding month.

Section 4.6. Valuation and Sale of Investments.

(A) In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement, Investment Securities shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made as soon as practicable prior to each Interest Payment Date and at any other time required hereunder, and on any particular date shall not include the amount of interest then earned or accrued to such date on any investment.

(B) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. An Investment Security may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another.

ARTICLE V

FUNDS

Section 5.1. Establishment of Funds.

(A) THDA hereby establishes and creates the following special trust funds:

(1) Loan Fund;

(2) Revenue Fund; and

(3) Bond Reserve Fund.

(B) All such Funds shall be held and maintained by the Trustee and shall be identified by THDA and the Trustee according to the designations herein provided in such manner as to distinguish such Funds from the Funds established by THDA for any other of its obligations. All moneys or securities held by the Trustee pursuant to this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolution and the Act.

(C) This Resolution contemplates the establishment of Subaccounts within the Funds created pursuant to this Resolution. In addition to the Subaccounts established hereunder, the Trustee may from time to time, establish, close and reestablish such additional Funds, Accounts or Subaccounts as may be requested by THDA for convenience of administration of the Program and as shall not be inconsistent with the provisions of this Resolution. Notwithstanding anything in this Resolution to the contrary, including Section 2.2 hereof, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, THDA may cause the Trustee to establish a Subaccount into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit hereunder and such Supplemental Resolution may provide that initial proceeds of such Bonds on deposit therein are pledged solely to certain of the Bonds of such Series.

Section 5.2. Loan Fund.

(A) There shall be deposited from time to time in the Loan Fund any amount required to be deposited therein pursuant to this Resolution and any other amounts determined to be deposited therein from time to time.

(B) Amounts in the Loan Fund shall be expended only (i) to finance Program Loans, in accordance with Section 4.2; (ii) to pay Costs of Issuance; (iii) to make deposits in the Debt Service and Expense Account, representative of capitalized interest, in the manner provided in subsection (D) of this Section; (iv) to redeem Bonds in accordance with subsection (E) of this Section; and (v) to provide amounts for deposit in the Debt Service and

Expense Account in accordance with subsection (F) of this Section. All Program Loans financed by application of amounts in the Loan Fund shall be credited to the Loan Fund.

(C) THDA shall maintain accurate records in the office of THDA describing for each Program Loan the amounts applied to the financing of such Program Loan and the persons and dates related to such payments. Upon the direction by THDA to apply amounts on deposit to the financing of Program Loans an Authorized Officer shall certify that, as to the Program Loans expected to be financed (i) the terms of such Program Loans will conform to the description of the Program Loans to be financed from such amount as set forth in the most recent Projected Cash Flow Statement delivered to the Trustee and (ii) such Program Loans will comply with the provisions of Section 4.2. The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Fund at any time for the purpose of making payments pursuant to this Section only upon receipt of:

(1) a written requisition setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include THDA) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from the Loan Fund pursuant to such requisition is a proper charge thereon.

(D) At least one day prior to each Interest Payment Date THDA shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amount necessary, in the opinion of such Authorized Officer, to pay interest on the Bonds of each Series from the amount on deposit in the Loan Fund, after giving effect to the actual and expected application of amounts therein to the financing of Program Loans as of the date of such Certificate. Upon receipt of such Certificate the Trustee shall transfer the amount so stated for each Series to the Debt Service and Expense Account, but only to the extent that the cumulative amount of such transfers does not exceed for each Series the amount stated as necessary to be reserved in the Loan Fund for the purpose of paying capitalized interest pursuant to the Projected Cash Flow Statement delivered in connection with the delivery of such Series pursuant to subsection 7.11 plus the amount, if any, certified by an Authorized Officer as available for such purpose from amounts originally reserved in the Loan Fund for the payment of capitalized interest and Costs of Issuance with respect to other Series in excess of the amounts actually required therefor.

(E) At any time THDA may direct the Trustee in writing to transfer amounts in the Loan Fund to the Redemption Account or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the provisions of Article VI.

(F) THDA may at any time direct the Trustee to transfer amounts in the Loan Fund to the Revenue Fund, but only if there is delivered to the Trustee a Projected Cash Flow Statement showing the amount to be so transferred and that, after giving effect to such transfer, such Statement complies with subsection 7.11(C).

Section 5.3. Revenue Fund.

(A) The Trustee shall establish and create within the Revenue Fund three Accounts into which amounts shall be deposited and from which amounts shall be transferred as provided in this Section. These Accounts shall be designated as the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account. THDA shall cause all Revenues to be deposited promptly with the Trustee (at least monthly) and such amounts shall be deposited in the Debt Service and Expense Account. There shall also be deposited in the Debt Service and Expense Account any other amounts required to be deposited therein pursuant to this Resolution.

(B) The Trustee shall pay out of the Debt Service and Expense Account to the respective Paying Agents for any of the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments. Upon receipt of appropriate requisitions and certificates reflecting such payment in the form prescribed by subsection 5.2(C), amounts on deposit in the Debt Service and Expense Account may be applied to the payment of accrued interest in connection with the financing of any Program Loan.

(C) Prior to the forty-fifth day preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by an Authorized Officer of THDA shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(2) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (K) of this Section (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 6.3, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service and Expense Account to the appropriate Paying Agents on the date preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) Upon delivery by THDA to the Trustee of a Certificate of an Authorized Officer which states the amount then on deposit in the Debt Service and Expense Account, the Trustee shall promptly transfer from the Debt Service and Expense Account an amount equal to the amount stated in such Certificate as follows:

FIRST: From amounts representing principal payments on Program Loans, the amount, if any, as shall be required by the Code to be applied to the redemption of Bonds shall be transferred to the Redemption Account.

SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount, if any, as shall be required to make any arbitrage rebate payment to the United States of America as required by the Code shall be transferred to THDA to be applied to such payment.

THIRD: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.

FOURTH: From the amount, if any, so available after the transfers provided above have been made, the amount needed to pay reasonable and necessary Program Expenses which are due and owing shall be transferred to THDA, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

FIFTH: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, to be transferred to the Loan Fund shall be so transferred, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

SIXTH: From the amount, if any, so available after any transfers provided for above have been made, the remaining amount may be transferred to the Redemption Account upon the direction of THDA and thereafter applied in accordance with subsection (I) of this Section. If the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA, to be applied to any purpose of THDA consistent with Section 7.9, free and clear of the lien of any pledge of this Resolution, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

(G) Notwithstanding any other provision of this Section, the Trustee may at any time, upon the written direction of an Authorized Officer, (i) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund, or the Redemption Account or (ii) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer or payment shall be made, however, unless such withdrawal is in an amount less than or equal to the amount of such withdrawal as set forth in the most recent Projected Cash Flow Statement.

(H) Notwithstanding the provisions of subsection (A) of this Section, no payments shall be required to be made into the Debt Service and Expense Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the Bonds have been defeased in accordance with Section 12.1 hereof; any Revenues thereafter received by THDA may be applied to any corporate purpose of THDA free and clear of the lien of the pledge of this Resolution.

(I) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Resolution and any other amounts available therefor and determined by THDA to be deposited therein. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, all amounts deposited in the Redemption Account shall be applied to the payment, purchase or redemption of Bonds, at the earliest practicable Redemption Date. Subject to the provisions of this Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in this Section and Article VI. Any earnings derived from the investment of amounts deposited in the Redemption Account pursuant to Section 2.7 shall, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in said Section, be deposited in the Redemption Account. Amounts on deposit in the Redemption Account for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Supplemental Resolution authorizing the issuance of Refunding Bonds, including amounts derived from the investment thereof as provided in this subsection, shall be segregated and shall be identified as such on the records of the Trustee.

(J) Except as may be otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit therein. THDA may, however, by delivery to the Trustee of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of THDA. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as THDA shall from time to time direct or, in the absence of such direction, as the Trustee may determine in its sole discretion and as may be possible with the amounts then available therefor. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Resolution on any date or dates within thirteen months after such purchase, in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price, and deposit the same in the Debt Service and Expense Account within the Revenue Fund.

(K) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward each such Sinking Fund Payment thereafter to become due an amount as nearly as may be practicable in multiples of $5,000 (or such other denomination as shall be authorized for the related Series of Bonds) bearing the same ratio to such Sinking Fund Payment, as the total principal amount of such Bond so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(L) Except as otherwise specifically provided herein, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price or at any other price and any arm's length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(M) All Non-Mortgage Receipts shall be deposited, promptly upon receipt by the Trustee, in the Non-Mortgage Receipts Account. The Trustee shall maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund and the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund (referred to in this Section as the "average daily balance"). If so directed by THDA, the Trustee shall maintain such for each Series of Bonds separately.

(N) Not later than each Interest Payment Date, the Trustee shall transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of the transfers provided by this Subsection, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

(O) Any amount remaining in the Non-Mortgage Receipts Account after the transfer to the Debt Service and Expense Account described in paragraph (N) above shall be transferred, at the direction of an Authorized Officer, to the Loan Fund or the Redemption Account.

Section 5.4. Bond Reserve Fund.

(A) If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Fund and the Redemption Fund, if applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Bond Reserve Fund to the extent necessary to make good the deficiency.

(B) If, concurrently with any allocation from the Revenue Fund pursuant to subsection (B) or (F) or (G) of Section 5.3, the amount on deposit in the Bond Reserve Fund, shall be in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed in writing by an Authorized Officer of THDA, transfer the amount of such excess to the Redemption Account.

(C) Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Fund shall be transferred to the Bond Reserve Fund. Prior to said transfer all investments held in the Revenue Fund shall be liquidated and any Bonds constituting a part of such Fund shall be deemed paid and cancelled.

(D) It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Resolution, in the Bonds and in the respective Supplemental Resolutions authorizing the issuance of such Bonds and authorizing the issuance of Refunding Bonds.

Section 6.2. Redemption at the Election or Direction of THDA; Conditional Notice. In the case of any redemption of Bonds otherwise than as provided in Section 6.3, THDA shall give written notice to the Trustee of its election or direction so to redeem, on the Redemption Date, the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by THDA in its sole discretion, subject to any limitations with respect thereto as may be provided in a Supplemental Resolution or otherwise contained in or permitted by this Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least forty-five days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 6.5, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise THDA shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed; provided, however, that any election or direction to redeem Bonds may be conditional, and THDA may elect or direct that any notice of redemption given pursuant to Section 6.5 shall be made conditional, upon the deposit with the Paying Agent of such sufficient moneys or other conditions. THDA shall promptly notify the Trustee in writing of all such payments made by THDA to a Paying Agent.

Section 6.3. Redemption Otherwise Than at THDA's Election or Direction. Whenever by the terms of this Resolution, the Trustee is required to redeem Bonds otherwise than at the election or direction of THDA, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article V, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, interest rate and maturity, the Trustee shall assign to each such Outstanding fully registered Bond a distinctive number for each $5,000 of the principal amount thereof so as to distinguish each such $5,000 from each other portion of the Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds bearing the numbers so selected; but only so much of the principal amount of each such fully registered Bond of a denomination or more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding. In the case of Appreciation Bonds, in the event that the Compounded Amount of any such Bond shall be less than $5,000, the Trustee shall assign a number to such Bond as if the Bond had a principal amount equal to $5,000 for purposes of this Section. If a Supplemental Resolution provides for a minimum denomination larger (or smaller) than $5,000, all references in this Section to $5,000 shall be deemed to refer to such larger (or smaller) minimum denomination. Notwithstanding the foregoing, Bonds that are held by a Central Securities Depository (or beneficial ownership interests in Bonds registered in the name of a Central Securities Depository or its nominee) shall be selected for redemption in accordance with the operational arrangements of such Central Securities Depository.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Resolution pursuant to Section 6.3, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository as provided in Section 3.7 hereof) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

Section 6.6. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 6.5 and assuming that all conditions precedent have been satisfied, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of portions of Bonds, a written instrument of exchange duly executed by the registered owner or his duly authorized attorney. If there shall be drawn for redemption less than the entire principal amount of a Bond, THDA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable.

If any notice of redemption pursuant to Section 6.5 is given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient moneys to pay the Redemption Price therefor on the Redemption Date and if such moneys sufficient to pay the Redemption Price and accrued interest have not been made available by THDA to the Trustee or the appropriate Paying Agent or Paying Agents on the Redemption Date, such notice of redemption shall be cancelled and be without effect and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding. The Trustee shall, within two business days after the proposed Redemption Date, give notice, in the manner in which the notice of redemption was given, that such conditions were not satisfied.

ARTICLE VII

PARTICULAR COVENANTS

THDA covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 7.1. Performance. THDA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of THDA under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

Section 7.2. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of THDA, shall be within every debt and other limit prescribed by law.

Section 7.3. Power to Issue Bonds and Pledge Revenues, Funds and Other Property. THDA is duly authorized under all applicable laws to authorize and issue the Bonds and to enter into, execute and deliver this Resolution and to pledge the assets and revenues purported to be pledged hereby in the manner and to the extent herein provided. The assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate or other action on the part of THDA to that end has been and will be duly and validly taken. The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of THDA in accordance with their terms and the terms of this Resolution. THDA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under this Resolution, and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 7.4. Payment of Bonds. THDA shall duly and punctually pay or cause to be paid, as herein provided, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 7.5. Extension of Payment of Bonds. THDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon and in the event that the maturity of any of the Bonds or the time for payment of interest thereon shall be extended, such Bonds, shall not be entitled to the benefit of this Resolution or to any payment out of the Funds established pursuant to this Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extension. Nothing herein shall be deemed to limit the right of THDA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.6. Offices for Servicing Bonds. THDA shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon THDA in respect of the Bonds or of this Resolution may be served. The Trustee shall maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon THDA. THDA may appoint one or more additional or other Paying Agents as its respective agents to maintain such offices or agencies for the payment of the Bonds of any particular Series and maturity.

Section 7.7. Further Assurance. At any and all times THDA shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which THDA may become bound to pledge or assign.

Section 7.8. Waiver of Laws. THDA shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law not or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by THDA.

Section 7.9. Tax Covenants.

(A) Subject to subsection (C) of this Section, THDA shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(B) THDA shall not permit at any time or times any of the proceeds of the Bonds or any other funds of THDA to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code.

(C) Notwithstanding the foregoing, THDA hereby reserves right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this Section shall not apply to such Bonds.

Section 7.10. Accounts and Reports.

(A) THDA shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Program Loans and all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) THDA shall annually, within 210 days after the close of each Fiscal Year, file with the Trustee a copy of the financial statements of THDA for such Fiscal Year, setting forth in reasonable detail:

(1) the balance sheet for THDA and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year;

(2) a statement of THDA's revenues and expenses in accordance with the categories or classifications established by THDA for its operating and program purposes and showing the revenues and expenses of the Program during such Fiscal Year; and

(3) a statement of changes in financial position, including changes in financial position of the Program, as of the end of such Fiscal Year.

The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(C) If at any time during any Fiscal Year there shall have occurred an Event of Default, then THDA shall file with the Trustee, within forty-five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

(D) Any such financial statements may be presented on a consolidated or combined basis with other reports of THDA, but only to the extent that such basis of reporting shall be consistent with that required under subsection (B) of this Section.

(E) A copy of each annual Projected Cash Flow Statement prepared in accordance with Section 7.11 hereof and any special report filed pursuant to subsection (C) of this Section and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Section 7.11. Periodic Delivery of Projected Cash Flow Statement.

(A) THDA shall file a Projected Cash Flow Statement with the Trustee (i) whenever Bonds are issued pursuant to Section 2.6, (ii) on or within thirty (30) days after THDA's filing of its financial statements as provided in Section 7.10(B), if a Projected Cash Flow Statement has not been filed within the prior year and (iii) at such other times as required by this Resolution or as may be required by a Supplemental Resolution.

(B) A Projected Cash Flow Statement shall set forth projected Revenues, Program Expenses and interest payments and Principal Installments for each year during which Bonds will be Outstanding based upon the reasonable expectations of THDA at the time such Certificate is filed. A Projected Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon THDA's reasonable expectations at the time such Projected Cash Flow Statement is filed. The listing of Revenues from Program Loans and Investment Securities shall be supported by a schedule identifying the Program Loans and Investment Securities by maturity and interest rate, including Program Loans expected to be financed with amounts in the Loan Fund.

(C) A Projected Cash Flow Statement shall be considered to comply with this subsection if such Statement shows that (i) the estimated Revenues for each annual period in which Bonds will be Outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to this Resolution), will be sufficient for the payment of the estimated Debt Service and Program Expenses for such annual period, and (ii) the total assets (consisting of cash and investments, valued as provided herein, and the principal balance of Program Loans) held hereunder equal to or exceed the total liabilities of all Bonds Outstanding hereunder for each such annual period.

Section 7.12. The Program.

(A) THDA shall from time to time with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of this Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance Program Loans pursuant to the Act and this Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Program Loans and, if not inconsistent with sound banking practices and principles, consent to modification of repayment terms of the Program Loans), sufficient to pay the expenses of the Program and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to protect its rights with respect to or to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans including the collection, custody and prompt application of all escrow payments required by the terms of a Program Loan for the purposes for which they were made.

(B) Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, THDA shall commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof and may otherwise take possession of or acquire such premises.

(C) THDA may at any time sell, assign or otherwise dispose of a Program Loan (or the premises to which such Program Loan related) or a Program Security:

(1) in the case of a Program Loan, in the event that payment under such Program Loan is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds the debt service on which is equivalent to the payments on the Program Loan; or

(3) a Projected Cash Flow Statement shall be filed with the Trustee which gives effect to the proposed sale thereof and complies with the conditions set forth in subsection 7.11(C).

Section 7.13. Personnel and Servicing of Programs.

(A) THDA shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Act and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by THDA shall be qualified for their respective positions.

(B) THDA may pay to any agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for THDA.

(C) THDA shall duly and properly service all Program Loans and enforce the payment and collection of all payments of principal and interest and all Escrow Payments or shall cause such servicing and/or enforcing to be done by a servicer evidencing, in the judgment of THDA, the capability and experience necessary to adequately service Program Loans. Each such servicer shall enter into a servicing agreement providing that:

(1) all amounts received by such servicer, except as compensation for its services, shall be promptly transferred to the Trustee subject to and in accordance with the provisions of this Resolution;

(2) such servicer shall at all times remain qualified to act as such pursuant to such standards as THDA shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Program Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in THDA's sole discretion, and shall maintain individual files for each Program Loan serviced pursuant to the servicing agreement and provide regular reports to THDA as to collections and delinquencies with respect to all Program Loans serviced by such servicer.

Section 7.14. Issuance of Additional Obligations.

(A) THDA shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which, except as provided in Section 5.1(C) hereof, will be secured by a superior or equal charge and lien on the revenues and assets pledged hereunder, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds under this Resolution on a parity with the Bonds of such initial Series of Bonds and secured, except as provided in Section 5.1(C) hereof, by an equal charge and lien on the revenues and assets pledged hereunder and payable equally therefrom for one or more of the purposes set forth in Section 2.4.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under this Resolution unless an Authorized officer shall have certified that:

(1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) upon the issuance and delivery of such additional Bonds, the amount credited to the Bond Reserve Fund is at least equal to the Bond Reserve Fund Requirement, as valued not more than five (5) Business Days prior to the date of issuance of such additional Bonds;

(3) the provisions of Section 2.6 or, in the case of Refunding Bonds, Section 2.7 shall have been complied with as of the date of delivery of such Series;

(4) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, THDA shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution; and

(5) upon the issuance of such Series and application of the proceeds thereof in accordance with Article IV hereof, the amount of Program Loans and Investment Securities credited to all Funds and Accounts hereunder, other than the Redemption Account, when valued in accordance with this Resolution, will be equal to the principal amount of Outstanding Bonds, including the Bonds thereupon being issued.

(C) THDA hereby expressly reserves the right to enter into or adopt one or more additional indentures or resolutions for its purposes, including the purposes of the Program, and reserves the right to issue other obligations for such purposes.

Section 7.15. Bond Reserve Fund.

(A) THDA shall at all times maintain the Bond Reserve Fund created and established by Section 5.1 and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of THDA or the Trustee or the Paying Agents under the terms and provisions of Article V hereof. It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

(B) Notwithstanding any other provisions of this Resolution the Trustee shall not permit amounts to be withdrawn from the Bond Reserve Fund other than pursuant to subsection 5.4(A) unless there shall have been filed with the Trustee a Certificate of an Authorized Officer stating that such amounts are not required to be retained therein to provide funds for the payment of Principal Installments or interest on Outstanding Bonds when due.

Section 7.16. Assignment of Program Loans Upon Default. Upon the happening of an Event of Default specified in Section 10.2 and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA shall deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee. If, however, the Trustee and the Bondholders are restored to their positions in accordance with Section 10.4, the Trustee shall assign such Program Loans back to THDA.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.1. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of THDA may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of THDA in this Resolution other covenants and agreements to be observed by THDA which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by THDA which are not contrary to or inconsistent with this Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon THDA by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of THDA contained in this Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues and Non-Mortgage Receipts or of any other revenues or assets;

(6) to accommodate the conversion of the Program to the purchase of Program Securities in addition to or in lieu of Program Loans;

(7) to modify any of the provisions of this Resolution in any respect whatever, but only if either (i) such modification shall not materially adversely affect the interest of the Bondholders (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondholders) or (ii) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding; or and, with respect to (ii) above, such modification is disclosed in any offering documents of THDA for Bonds issued subsequent to the date of adoption of the Supplemental Resolution; or

(8) to authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued.

Section 8.2. Supplemental Resolutions Effective Upon Consent of Trustee.

(A) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized

Officer, and (ii) the filing with the Trustee and THDA of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee in connection with the Program Loans.

(B) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 8.3. Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX.

Section 8.4. General Provisions.

(A) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of THDA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.7 or the right or obligation of THDA to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Resolution.

(B) Any Supplemental Resolution permitted or authorized by Section 8.1 or 8.2 may be adopted by THDA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon THDA.

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.1, 8.2 or 8.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(D) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

Section 9.1. Mailing and Publication of Notice of Amendment. Any provision in this Article for the mailing of a notice to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of THDA and (ii) to the Trustee.

Section 9.2. Powers of Amendment. Any modification of or amendment to this Resolution and of the rights and obligations of THDA and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3, with the written consent given as provided in Section 9.3, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on THDA and all holders of Bonds.

Section 9.3. Consent of Bondholders.

(A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 or 8.2 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed, by first class mail postage prepaid, by THDA to the holders of any registered Bond. Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 9.2 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by THDA in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon THDA and enforceable in accordance with its terms.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14. A Certificate by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.14. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with THDA and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by THDA on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by THDA by mailing such notice to the Bondholders, first class mail, postage prepaid, (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). THDA shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon THDA, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period, except that any Fiduciary and THDA during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 9.4. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of THDA and of the holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by THDA of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of THDA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and THDA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, THDA shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by THDA and the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If THDA or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and THDA shall be prepared, executed, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity, then Outstanding, upon surrender of such Bonds. All Bonds surrendered in such an exchange shall be cancelled by the Trustee.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is hereby declared an “Event of Default”:

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise shall not be made when and as the same shall become due; or

(2) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or

(3) THDA shall fail or refuse to comply with the provisions of this Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Section 10.2. Remedies.

(A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1 the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to acceleration of the Bonds pursuant to clause (5) below) shall proceed, in its own name, subject to the provisions of Section 11.3, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues and Non-Mortgage Receipts adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from THDA for principal, Redemption Price, interest or otherwise, under any provisions of this Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against THDA for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Non-Mortgage Receipts and of the assets of THDA relating to the Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default.

(A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, subject to Section 10.11, hereof as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to THDA, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case THDA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction

Section 10.6. Limitation on Rights of Bondholders.

(A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or by law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section, or any other provision of this Resolution, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Resolution.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Resolution to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal of or Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee and, (ii) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee.

(A) The Bond Finance Committee of THDA has been delegated the responsibility for choosing the initial Trustee pursuant to this Resolution. The Trustee shall signify its acceptance of the duties and obligations of the Trustee by executing a written acceptance of its obligations under this Resolution.

(B) The Trustee is hereby vested with all of the rights, powers and duties of a Trustee permitted to be appointed by Bondholders pursuant to the Act and the right of Bondholders to appoint a trustee pursuant to the Act is hereby abrogated as permitted by the Act.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents.

(A) THDA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent.

(B) Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by a written instrument of acceptance executed and delivered to THDA and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of THDA for the payment of the Bonds.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of THDA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to THDA. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to THDA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to THDA, the holders of any of the Bonds or any other person for any act or omission done or omitted to be done by such Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Resolution or for any act or omission done or omitted in good faith and without willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by THDA to any Fiduciary shall be sufficiently executed if executed in the name of THDA by an Authorized Officer.

Section 11.5. Compensation. THDA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees (whether or not litigation ensued and, if so, fees on trial and any appeal therefrom) and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under this Resolution. THDA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds issued hereunder with the same rights it would have if it were not a Fiduciary. Any Fiduciary may permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may participate as a lender under the Program and may sell Program Loans to THDA. Except as otherwise provided by THDA, no Fiduciary may act as an underwriter with respect to the issuance of any Bonds.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to THDA, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 11.8. Removal of Trustee. The Trustee shall be removed by THDA if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and THDA and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of THDA by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, THDA covenants and agrees that it will thereupon appoint a successor Trustee.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to THDA written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least $100,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to THDA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of THDA, or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor

Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from THDA be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by THDA. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Resolution shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Resolution as Trustee.

Section 11.11. Merger, Consolidation or Sale. Any company into which any Fiduciary or its trust department may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of authentication of the Trustee shall have.

Section 11.13. Resignation or Removal of the Paying Agents Appointment of Successor.

(A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to THDA and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent, and the Trustee and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by THDA and (subject to the requirements of Section 7.6) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least $25,000,000, and willing and able to accept the office of Paying Agent, on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds.

(A) Any request, consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii), the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable:

> (1) the fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is

signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) the amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a Certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depositary or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depositary the Bonds described in such Certificate. Continued ownership after the date stated in such Certificate may be proved by the presentation of such Certificate if the Certificate contains a statement by such officer that the depositary held the Bonds therein referred to on the date of the Certificate and that they will not be surrendered without the surrender of the Certificate to the depositary, except with the consent of the Trustee, and a Certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by THDA or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of this Resolution or any Supplemental Resolution (or microfilm, microcard or similar photographic or scanned reproduction thereof) shall be retained in its possession and shall be subject at all reasonable times to the inspection of THDA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

ARTICLE XII

DEFEASANCE
MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance.

(A) If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of THDA, execute and deliver to THDA all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to THDA all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If THDA shall pay or cause to be paid, or there shall otherwise be paid, to the holders of any Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of THDA to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) Bonds and interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) shall, at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, THDA shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or

Redemption Price, if any, of and interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on such Bonds; but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this Section, Investment Securities mean and include only direct and general obligations of the State or obligations guaranteed by the State or such obligations as are described in clause (1) of the definition of Investment Securities herein.

(C) If, through the deposit of moneys by THDA or otherwise, the Fiduciaries shall hold, pursuant to this Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which THDA shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of THDA all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or the redemption of such Outstanding Bonds. If all or a portion of the moneys made available to pay the principal of and interest on Outstanding Bonds at maturity or prior redemption shall have been derived from the issuance of refunding obligations of THDA, upon the written direction of THDA, the Fiduciaries shall reallocate or transfer all moneys, securities, Program Loans or Program Securities as shall be required by operation of the transferred proceeds provisions of the Code.

(D) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Bonds which remain unclaimed for five years (or such other period of time required by abandoned property laws of the State) after the date when all of such principal or interest, as the case may be, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years (or such other period of time required by abandoned property laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, to the extent required by State law, be paid by the Fiduciary to the State Treasurer or other appropriate official free from trust, and otherwise at the written request of THDA, be repaid by the Fiduciary to THDA, as its absolute property and free from trust, and, in either such case, the Fiduciary shall thereupon be released and discharged.

Section 12.2. Notice by Electronic Means. Any notice, direction or other communication given hereunder from THDA to the Rating Agencies or any Fiduciary or from any Fiduciary to THDA or the Rating Agencies, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation or delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Time, and otherwise on the next business day.

Section 12.3. Notices to Rating Agencies. To the extent not otherwise provided herein, the Trustee shall provide written notice to the Rating Agencies of any of the following occurrences: (i) the defeasance or discharge of this Resolution within the meaning of Section 12.1 hereof, (ii) the downgrade of the provider of any Investment Security described in paragraph (3) or (7) of the definition thereof below the rating requirement included in such paragraphs and the substitution of any provider thereof; (iii) the resignation or removal of the Trustee, (iv) the appointment of a successor Trustee, and (v) any amendment of this Resolution or any Supplemental Resolution.

Section 12.4. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of THDA contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of THDA and not of any officer or employee of THDA in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any member, officer or employee of THDA or any natural person executing the Bonds.

Section 12.5. Security Instrument. A certified copy of this Resolution, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Tennessee.

Section 12.6. Effective Date. This Resolution shall take effect immediately.

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Outstanding as of March 31, 2013 (unaudited)	Original Net Interest Cost
2009-A	December 23, 2009	$100,000,000	--	$ 84,970,000	3.96%
2009-B(1)	December 23, 2009	300,000,000	--	0	(2)
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	135,840,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	92,410,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	92,325,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	97,225,000	3.01
2011-C/2009-B-5	November 3, 2011	65,290,000	34,710,000	97,300,000	3.01
TOTAL		$660,000,000	$300,000,000	$600,070,000	

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(1) Portions of such Bonds were converted and redesignated as Issue 2009-B, Subseries B-1, Issue 2009-B, Subseries B-2, Issue 2009-B, Subseries B-3, Issue 2009-B, Subseries B-4, and Issue 2009-B, Subseries B-5.

(2) Variable rate, taxable.

As of March 31, 2013, 5,851 mortgage loans in the approximate aggregate principal amount of $575,309,626 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds, and will be available for the general purposes of THDA only as provided in the 2009 General Resolution).

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General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,147,690,000 total original principal amount of Bonds under the 1985 General Resolution, of which $1,299,240,000 (unaudited) were outstanding as of March 31, 2013, as shown below:

Issue of Bonds	Dated	Issued	Outstanding as of March 31, 2013 (unaudited)	Original Net Interest Cost[1]
2004-1	March 4, 2004	80,000,000	$ 29,615,000	4.40
2004-2	July 15, 2004	100,000,000	40,005,000	4.86
2004-3	January 13, 2005	100,000,000	40,720,000	4.41
2005-1	July 28, 2005	100,000,000	48,105,000	4.33
2005-2	November 17, 2005	100,000,000	46,000,000	4.61
2006-1	April 27, 2006	100,000,000	46,110,000	4.66
2006-2	July 27, 2006	100,000,000	43,460,000	4.85
2006-3	October 31, 2006	100,000,000	52,705,000	4.58
2007-1	March 13, 2007	100,000,000	55,650,000	4.49
2007-2	June 6, 2007	120,000,000	72,935,000	4.53
2007-3	August 7, 2007	150,000,000	84,445,000	4.77
2007-4	October 30, 2007	150,000,000	92,275,000	4.79
2008-1	May 29, 2008	60,000,000	34,565,000	4.93
2008-2	August 7, 2008	50,000,000	14,855,000	5.28
2008-3	September 30, 2008	90,000,000	50,265,000	5.00
2008-4	December 18, 2008	30,000,000	3,515,000	5.56
2009-1	June 11, 2009	50,000,000	38,520,000	4.39
2009-2	September 30, 2009	75,000,000	60,950,000	4.06
2010-1	October 13, 2010	120,700,000	89,865,000	3.57
2011-1	December 1, 2011	141,255,000	127,530,000	3.80
2012-1	July 19, 2012	133,110,000	129,525,000	3.26
2012-2	November 15, 2012	97,625,000	97,625,000	2.92
TOTAL		$2,147,690,000	$1,299,240,000	

(1) Bond yield.

As of March 31, 2013, 16,968 mortgage loans in the approximate aggregate principal amount of $1,301,430,821 were outstanding under the 1985 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1985 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1985 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1985 General Resolution.

Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution")

THDA expects that a portion of the proceeds made available from the issuance and sale of Residential Finance Program Bonds, Issue 2013-1 will be used to redeem 2003 Series A Bonds, which are the only bonds outstanding under the 1974 General Resolution (the "2003-A Bonds"). Certain assets allocated to the 2003-A Bonds under the 1974 General Resolution, including mortgages financed with the proceeds of bonds issued under the 1974 General Resolution and cash and investments held for the benefit of 2003-A bondholders under the 1974 General Resolution, will be transferred from the 1974 General Resolution to the General Resolution at the time of the issuance and sale of the Issue 2013-1 Bonds to the extent necessary to meet tax code requirements.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX G

RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES

General

The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. No assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described below. The Issue 2013-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted.

THDA's current income limits range from $54,480 to $92,680 depending on household size and geographic location. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. THDA's current maximum acquisition cost limits are either $240,000 or $275,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, up to 2% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and credit unions. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Certain of the requirements described above (first time homebuyer and federally mandated acquisition cost and income limits) do not apply with respect to the Transferred Program Loans allocable to the 2003 Series A Bonds issued under the 1974 General Resolution (the "Pre-Ullman Program Loans") nor will such requirements apply to any new Program Loans originated with recycled principal payments from the Pre-Ullman Program Loans.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating

Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions to service THDA Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms or commercial banks. THDA may also service Program Loans. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval. THDA Servicers currently are U.S. Bank and Magna Bank.

THDA requires regular reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Single Family Programs and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

APPENDIX H

May 30, 2013

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Residential Finance Program Bonds
$27,920,000 Issue 2013-1A (AMT)
$47,985,000 Issue 2013-1B (Non-AMT)
$140,000,000 Issue 2013-1C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $27,920,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2013-1A (AMT) (the "Issue 2013-1A Bonds"), $47,985,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2013-1B (Non-AMT) (the "Issue 2013-1B Bonds") and $140,000,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2013-1C (Non-AMT) (the "Issue 2013-1C Bonds," and, together with the Issue 2013-1A Bonds and the Issue 2013-1B Bonds, the "Issue 2013-1 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2013-1 Bonds were authorized to be issued pursuant to the Act, the General Residential Finance Program Bond Resolution of THDA, adopted January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on January 29, 2013, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on April 18, 2013 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2013-1 Bonds (collectively, the "Residential Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2013-1 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2013-1 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2013-1 Bonds in order that interest on the Issue 2013-1 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2013-1 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2013-1 Bonds are valid and legally binding special, limited obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Residential Finance Program Bonds, including the Issue 2013-1 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2013-1 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2013-1 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2013-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2013-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (iii) interest on the Issue 2013-1B Bonds and the Issue 2013-1C Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iv) interest on the Issue 2013-1B Bonds <u>will be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code and (v) interest on the Issue 2013-1C Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2013-1 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2013-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2013-1 Bonds may have to take interest on such Issue 2013-1 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2013-1 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2013-1 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2013-1 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES FOR TRANSFERRED PROGRAM LOANS

Delinquencies and Foreclosures as of December 31, 2012

The overall delinquency rate for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.79%, based on a total of 1,757 Transferred Program Loans as of December 31, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	42	$2,078,698	3.44%	2.04%[4]
VA Guaranteed	1	80,795	3.85	1.23
Privately Insured	2	216,170	1.16	0.74
USDA/RD Guaranteed	4	291,419	2.94	(5)
Uninsured	0	0	0.00	(5)
TOTAL	49	$2,667,082[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Transferred Program Loans that were ninety (90) days past due was 5.58%, based on a total of 1,757 Transferred Program Loans as of December 31, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were ninety (90) days past due as of December 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	86	$3,909,105	7.04%	4.82%[4]
VA Guaranteed	2	95,989	7.69	2.85
Privately Insured	2	184,227	1.16	1.39
USDA/RD Guaranteed	7	472,687	5.15	(5)
Uninsured	1	93,233	0.50	(5)
TOTAL	98	$4,755,241[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Transferred Program Loans in foreclosure was 1.20%, based on a total of 1,757 Transferred Program Loans as of December 31, 2012 (unaudited).

The foreclosure rate by loan type for Transferred Program Loans, in foreclosure as of December 31, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2012, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2012

	Transferred Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	16	$805,686	0.41%	2.32%(4)
VA Guaranteed	1	174,728	0.00	1.24
Privately Insured	3	312,076	0.58	0.90
USDA/RD Guaranteed	1	45,960	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	21	$1,338,450(2)		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ended December 31, 2012.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2012

The overall delinquency rate for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.71%, based on a total of 1,805 Transferred Program Loans as of September 30, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2012

	Transferred Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	40	$1,839,356	3.17%	2.11%(4)
VA Guaranteed	1	57,554	3.85	1.20
Privately Insured	3	257,111	1.71	0.80
USDA/RD Guaranteed	5	329,884	3.55	(5)
Uninsured	0	0	0.00	(5)
TOTAL	49	$2,483,905(2)		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending September 30, 2012.

(4) FHA fixed rate mortgage loans

(5) MBA does not report data in these categories.

The overall delinquency rate for Transferred Program Loans that were ninety (90) days past due was 6.20%, based on a total of 1,805 Transferred Program Loans as of September 30, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were ninety (90) days past due as of September 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	92	$4,357,735	7.30%	4.53%[4]
VA Guaranteed	3	321,856	11.54	2.69
Privately Insured	4	375,496	2.29	1.34
USDA/RD Guaranteed	7	513,842	4.96	(5)
Uninsured	6	169,380	2.97	(5)
TOTAL	112	$5,738,309[2]		

(1) Rounded figures.
(2) Rounded total,
(3) MBA data for Tennessee for the quarter ending September 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Transferred Loans in foreclosure was 0.94%, based on a total of 1,805 Transferred Program Loans as of September 30, 2012 (unaudited).

The foreclosure rate by loan type for Transferred Program Loans, in foreclosure as of September 30, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2012, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	16	$764,792	0.32%	2.73%[4]
VA Guaranteed	0	0	0.00	1.46
Privately Insured	1	121,854	0.00	1.08
USDA/RD Guaranteed	0	0	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	17	$886,646[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of June 30, 2012

The overall delinquency rate for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.51%, based on a total of 1,835 Transferred Program Loans as of June 30, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	35	$1,756,521	2.73%	1.97%[4]
VA Guaranteed	1	81,825	3.70	1.14
Privately Insured	1	113,848	0.56	0.70
USDA/RD Guaranteed	4	244,241	2.82	(5)
Uninsured	5	148,505	2.45	(5)
TOTAL	46	$2,344,940[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Transferred Program Loans that were ninety (90) days past due was 5.34%, based on a total of 1,835 Transferred Program Loans as of June 30, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were ninety (90) days past due as of June 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	86	$4,243,725	6.70%	4.69%[4]
VA Guaranteed	2	213,451	7.41	2.82
Privately Insured	4	300,564	2.25	1.31
USDA/RD Guaranteed	5	464,057	3.52	(5)
Uninsured	1	20,875	0.49	(5)
TOTAL	98	$5,242,672[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Transferred Program Loans in foreclosure was 0.76%, based on a total of 1,835 Transferred Program Loans as of June 30, 2012 (unaudited).

The foreclosure rate by loan type for Transferred Program Loans, in foreclosure as of June 30, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2012, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	11	$508,494	0.39%	3.29%[4]
VA Guaranteed	0	0	0.00	1.57
Privately Insured	2	258,016	0.00	1.17
USDA/RD Guaranteed	1	77,686	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	14	$844,196[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2012

The overall delinquency rate for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.81%, based on a total of 1,875 Transferred Program Loans as of March 31, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance[2]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	26	$1,480,317	1.98%	1.71%[4]
VA Guaranteed	1	82,330	3.70	0.93
Privately Insured	3	210,161	1.63	0.62
USDA/RD Guaranteed	4	378,708	2.72	(5)
Uninsured	0	0	0.00	(5)
TOTAL	34	$2,151,516[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Transferred Program Loans that were ninety (90) days past due was 4.69%, based on a total of 1,875 Transferred Program Loans as of March 31, 2012 (unaudited).

Delinquency rates by loan type for Transferred Program Loans that were ninety (90) days past due as of March 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	79	$3,768,061	6.03%	4.94%[4]
VA Guaranteed	2	214,350	7.41	2.57
Privately Insured	2	254,709	1.09	1.36
USDA/RD Guaranteed	5	393,001	3.40	(5)
Uninsured	0	0	0.00	(5)
TOTAL	88	$4,630,121[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Transferred Program Loans in foreclosure was 0.69%, based on a total of 1,875 Transferred Program Loans as of March 31, 2012 (unaudited).

The foreclosure rate by loan type for Transferred Program Loans, in foreclosure as of March 31, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2012, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2012

	Transferred Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	12	$604,371	0.38%	2.79%[4]
VA Guaranteed	0	0	0.00	1.84
Privately Insured	1	122,805	0.00	1.37
USDA/RD Guaranteed	0	0	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	13	$727,176[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Tennessee Housing
Development Agency

Leading Tennessee Home...
since 1973

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2013-2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2013-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (ii) interest on the Issue 2013-2B Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (iii) interest on the Issue 2013-2B Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"). In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2013-2 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2013-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY

Residential Finance Program Bonds

$31,300,000 Issue 2013-2A (AMT)

$90,000,000 Issue 2013-2B (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2013-2A Bonds (the "Issue 2013-2A Bonds") and the Issue 2013-2B Bonds (the "Issue 2013-2B Bonds" and, together with the Issue 2013-2A Bonds, the "Issue 2013-2 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F "BOOK-ENTRY-ONLY SYSTEM." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on July 1, 2014, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption at par prior to their stated maturities at the times and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are special limited obligations of the Tennessee Housing Development Agency ("THDA") payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about November 19, 2013.

CITIGROUP

RAYMOND JAMES **RBC CAPITAL MARKETS**

J.P. MORGAN **WELLS FARGO SECURITIES**

WILEY BROS.—AINTREE CAPITAL, LLC

October 23, 2013

†Interest on the Issue 2013-2B Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BONDS
Maturities, Amounts, Interest Rates and Prices

$31,300,000 Issue 2013-2A (AMT)

$10,915,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2014				$1,545,000	0.45%	880461BG2
2015	$1,545,000	0.60%	880461BH0	1,550,000	0.75	880461BJ6
2016	1,560,000	1.15	880461BK3	1,565,000	1.25	880461BL1
2017	1,570,000	1.60	880461BM9	1,580,000	1.70	880461BN7

$20,385,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
July 1, 2043 (PAC)	$20,385,000	4.00%	880461BP2

$90,000,000 Issue 2013-2B (Non-AMT)†

$24,390,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2018	$1,590,000	1.65%	880461CF3	$1,610,000	1.75%	880461BQ0
2019	1,625,000	2.15	880461BR8	1,645,000	2.30	880461BS6
2020	1,660,000	2.65	880461BT4	1,690,000	2.75	880461BU1
2021	1,715,000	3.00	880461BV9	1,745,000	3.00	880461BW7
2022	1,770,000	3.25	880461BX5	1,805,000	3.25	880461BY3
2023	1,835,000	3.45	880461BZ0	1,865,000	3.45	880461CA4
2024	1,900,000	3.60	880461CB2	1,935,000	3.60	880461CC0

$65,610,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
July 1, 2028	$17,095,000	4.20%	880461CD8
January 1, 2033	22,795,000	4.65	880461CG1
July 1, 2043 (PAC)	25,720,000	4.00	880461CE6

PRICE OF ISSUE 2013-2A BONDS DUE JULY 1, 2043 (PAC): 106.391%

PRICE OF ISSUE 2013-2B BONDS DUE JULY 1, 2043 (PAC): 107.254%

PRICE OF ALL REMAINING ISSUE 2013-2 BONDS: 100.00%

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(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

†Interest on the Issue 2013-2B Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisor

OFFICIAL STATEMENT

TENNESSEE HOUSING DEVELOPMENT AGENCY

Residential Finance Program Bonds
$31,300,000 Issue 2013-2A (AMT)
$90,000,000 Issue 2013-2B (Non-AMT)†

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Residential Finance Program Bonds, Issue 2013-2A in the aggregate principal amount of $31,300,000 (the "Issue 2013-2A Bonds") and Issue 2013-2B in the aggregate principal amount of $90,000,000 (the "Issue 2013-2B Bonds" and, together with the Issue 2013-2A Bonds, the "Issue 2013-2 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Residential Finance Program Bond Resolution, adopted by THDA on January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 23, 2013, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on October 23, 2013 (the "Issue 2013-2 Supplemental Resolution"). The General Resolution and the Issue 2013-2 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2013-2 Bonds on July 22, 2013.

The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of September 30, 2013 (unaudited), Bonds in the aggregate principal amount of $210,285,000 were outstanding under the Resolution, bonds in the aggregate principal amount of $1,126,900,000 were outstanding under THDA's Homeownership Program Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $563,360,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution"). As of September 30, 2013, no bonds were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution").

Bonds issued under the Resolution, including the Offered Bonds, are and will be special limited obligations of THDA, payable solely from the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". All bonds issued under the Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

The revenues and assets of THDA pledged under the Resolution are not pledged as security for bonds outstanding or as may be issued under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution, respectively, are not pledged as security for the Offered Bonds. See Appendix E for a description of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution.

† Interest on the Issue 2013-2B Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

THDA may, in the future, elect to issue bonds under the General Resolution or under the 1974 General Resolution, the 1985 General Resolution and/or the 2009 General Resolution. No assurances can be given as to whether THDA may elect to issue bonds under any one of the referenced general resolutions in the future or which of the referenced general resolutions may be selected. Any mortgage loans and investments financed with the proceeds of any new bonds issued under any of the referenced general resolutions, except for the General Resolution, and the revenues therefrom will not be pledged to the payment of Bonds under the General Resolution, including the Offered Bonds.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA expects to use the proceeds from the issuance of the Issue 2013-2A Bonds to refund its Issue 2004-2 Bonds issued and outstanding under the 1985 General Resolution (the "Prior Bonds"). As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately \$36,456,000 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS" for information about the Transferred Program Loans. In addition, other investments allocable to the Prior Bonds in the projected amount of approximately \$1,300,000 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on January 1, 2014, at a redemption price of 100% plus accrued interest. No assurance can be provided that the Prior Bonds will actually be refunded.

THDA expects that the proceeds of the Issue 2013-2B Bonds will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Bond Reserve Fund, if required. See "APPLICATION OF BOND PROCEEDS." The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" and in Appendix G.

As used herein, the term "Program Loans" refers to all mortgage loans financed under the General Resolution, including the Transferred Program Loans and mortgage loans to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (or participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described or otherwise referred to in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2013-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Currently, THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of September 30, 2013 (unaudited), 2,704 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately \$214,517,977. Based on the outstanding principal balance of Program Loans as of September 30, 2013, approximately 81.21% were FHA insured, approximately 1.95% were VA guaranteed, approximately 6.00% were insured by private mortgage insurance companies, approximately 4.42% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 6.42% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See “RESIDENTIAL FINANCE PROGRAM LOANS – Residential Finance Program Portfolio Data” and Appendix B under the heading “Private Mortgage Insurance Programs”.

U.S. Bank National Association (the “Trustee”) is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, and certain provisions of the Act, the General Resolution, the Issue 2013-2 Supplemental Resolution and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Issue 2013-2 Supplemental Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee. The General Resolution is attached hereto as Appendix D “2013 GENERAL RESOLUTION”. **Certain capitalized terms utilized herein are defined in Appendix D hereto.**

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, (“DTC”), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F “BOOK-ENTRY-ONLY SYSTEM” for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2013-2 Bonds and is payable on July 1, 2014, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

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Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2013-2A Bonds maturing on July 1, 2043, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2033, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2013-2A
PAC Term Bonds Due July 1, 2043

Year	Amount Due January 1	Amount Due July 1	
2033		$1,425,000	
2034	$ 785,000	800,000	
2035	810,000	825,000	
2036	845,000	860,000	
2037	880,000	895,000	
2038	915,000	935,000	
2039	950,000	970,000	
2040	990,000	1,010,000	
2041	1,030,000	1,050,000	
2042	1,070,000	1,090,000	
2043	1,115,000	1,135,000	(maturity)

The Issue 2013-2B Bonds maturing on July 1, 2028, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2025, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2013-2B
Term Bonds Due July 1, 2028

Year	Amount Due January 1	Amount Due July 1	
2025	$1,975,000	$2,025,000	
2026	2,065,000	2,110,000	
2027	2,155,000	2,205,000	
2028	2,255,000	2,305,000	(maturity)

The Issue 2013-2B Bonds maturing on January 1, 2033, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2029, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2013-2B
Term Bonds Due January 1, 2033

Year	Amount Due January 1		Amount Due July 1
2029	$2,355,000		$2,410,000
2030	2,460,000		2,510,000
2031	2,565,000		2,625,000
2032	2,685,000		2,740,000
2033	2,445,000	(maturity)	

The Issue 2013-2B Bonds maturing on July 1, 2043, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2033, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2013-2B
PAC Term Bonds Due July 1, 2043

Year	Amount Due January 1	Amount Due July 1	
2033		$1,795,000	
2034	$ 980,000	1,000,000	
2035	1,025,000	1,045,000	
2036	1,065,000	1,090,000	
2037	1,110,000	1,130,000	
2038	1,155,000	1,175,000	
2039	1,200,000	1,225,000	
2040	1,250,000	1,275,000	
2041	1,300,000	1,325,000	
2042	1,355,000	1,380,000	
2043	1,405,000	1,435,000	(maturity)

Optional Redemption. The Issue 2013-2 Bonds maturing on and after July 1, 2023, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2023, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of PAC Bonds. The Issue 2013-2A Bonds maturing July 1, 2043 (the "Issue 2013-2A PAC Bonds") and the Issue 2013-2B Bonds maturing July 1, 2043 (the "Issue 2013-2B PAC Bonds" and, together with the Issue 2013-2A PAC Bonds, the "PAC Bonds") are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2013-2 Principal Payments (as defined below). Any Excess 2013-2 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2014; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2013-2 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds"), as determined by THDA, then available Excess 2013-2 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2013-2 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds shall first be applied to redeem PAC Bonds on a pro rata basis and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2013-2 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the then Outstanding PAC Bonds' proportionate amount of all Issue 2013-2 Bonds then Outstanding, and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

"Excess 2013-2 Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount applicable to each PAC Bond for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the Issue 2013-2A PAC Bonds and Issue 2013-2B PAC Bonds, respectively, assumed to be redeemed from Excess 2013-2 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 100% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds" for a description of PSA prepayment rates.

The Planned Amortization Amounts for the Issue 2013-2A PAC Bonds and Issue 2013-2B PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $36,456,000 with an approximate weighted average maturity of 248.04 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 100% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedules

Date	Issue 2013-2A PAC Bonds Planned Amortization Amount	Issue 2013-2B PAC Bonds Planned Amortization Amount
July 1, 2014	$ 620,000	$ 770,000
January 1, 2015	1,440,000	1,810,000
July 1, 2015	2,465,000	3,105,000
January 1, 2016	3,680,000	4,640,000
July 1, 2016	5,070,000	6,390,000
January 1, 2017	6,485,000	8,180,000
July 1, 2017	7,845,000	9,890,000
January 1, 2018	9,145,000	11,530,000
July 1, 2018	10,390,000	13,105,000
January 1, 2019	11,580,000	14,610,000
July 1, 2019	12,720,000	16,050,000
January 1, 2020	13,810,000	17,430,000
July 1, 2020	14,855,000	18,745,000
January 1, 2021	15,850,000	20,005,000
July 1, 2021	16,800,000	21,205,000
January 1, 2022	17,705,000	22,350,000
July 1, 2022	18,570,000	23,440,000
January 1, 2023	19,395,000	24,480,000
July 1, 2023	20,180,000	25,470,000
January 1, 2024	20,385,000	25,720,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent the related PAC Bonds are redeemed from amounts on deposit in the Issue 2013-2 Bonds Subaccount of the Loan Fund not applied to finance Program Loans.

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds."

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans as described below under the heading "DESCRIPTION OF OFFERED BONDS – Redemption of Offered Bonds from Unexpended Proceeds"; (ii) except as otherwise described under the headings "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds", and "-Mandatory Redemption – 10 Year Rule", repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the, "Code"), (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and (b) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of a PAC Bond to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedules. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) of the preceding paragraph shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be so redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) of the preceding paragraph. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS – THDA Redemption Practices".

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," the Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the related Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedules only if there are no other Offered Bonds outstanding and if the PAC Bonds are to be redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
November 19, 2013	13.3%
July 15, 2014	26.1
November 19, 2023	100.0

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on July 1, 2014, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2013-2 Bonds Subaccount of the Loan Fund on June 1, 2014, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2013-2 Supplemental Resolution, including without limitation, provision of a Projected Cash Flow Statement.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Offered Bonds are subject to mandatory redemption on May 19, 2017, to the extent any amounts remain on deposit in the Issue 2013-2 Bonds Subaccount of the Loan Fund on April 1, 2017.

Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding.

Selection By Lot

If less than all of the Issue 2013-2 Bonds of like series and maturity are to be redeemed, the particular Issue 2013-2 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth, in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

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APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2013-2 Bonds will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 121,300,000.00
Premium on Issue 2013-2A PAC Bond	1,302,805.35
Premium on Issue 2013-2B PAC Bond	1,865,728.80
Transferred Program Loans	36,456,812.00
Transferred Investments	1,300,000.00
TOTAL SOURCES	$ 162,225,346.15
USES	
Deposit to Loan Fund(1)	$ 124,877,814.62
Redemption of Prior Bonds	31,300,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	1,300,000.00
Deposit to Bond Reserve Fund	3,750,000.00
Costs of Issuance	210,000.00
Underwriters' Fee	787,531.53
TOTAL USES	$ 162,225,346.15

(1) Includes $88,421,003 in proceeds from Issue 2013-2 plus approximately $36,456,000 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable solely from the revenues and assets of THDA pledged under the Resolution. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution;

(c) All Funds and Accounts created by the Resolution, including the Bond Reserve Fund, and monies and securities therein (see Appendix D "2013 GENERAL RESOLUTION"); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. In accordance with the Act and the Resolution, THDA has established a Bond Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the "Bond Reserve Fund Requirement." The

Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each series of Bonds established in the Supplemental Resolution authorizing such series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities. On the date of issuance of the Offered Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, on any Interest Payment Date or Redemption Date, there is not a sufficient amount available in the Revenue Fund and the Redemption Fund, if applicable, to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the extent necessary to make good the deficiency.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds and other outstanding bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D "2013 GENERAL RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Offered Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $36,456,000, with a weighted average maturity of approximately 248.04 months and a weighted average interest rate of approximately 5.60%, will be allocated to the Offered Bonds upon the refunding of the Prior Bonds and (ii) THDA originates approximately $86,300,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.60%; approximately 2.75% of which are participations funded with proceeds of the Issue 2013-2 Bonds for which all of the interest is allocable to the Offered Bonds. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on

Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2013-2 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans as well as Great Choice Program Loans and Great Choice Plus Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" for descriptions of the various Program Loan products and Appendix G "RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2013-2B Bonds will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 4.60%; approximately $2,375,000 of which are participations for which all of the interest is allocable to the Offered Bonds and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans in connection with the sale of bonds by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds; however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2013-2B Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from Issue 2013-2 Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds on September 17, 2013. As of October 15, 2013, THDA has committed a total principal amount of approximately $27,800,000 of Program Loans, all of which are Great Rate, Great Advantage or Great Start Program Loans, that will be allocated to the Offered Bonds. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans". Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See “DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds”.

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

If a significant default or other financial crisis should occur in the affairs of the United States or any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA’s single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA’s single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA’s activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA’s single-family loans could adversely affect the THDA’s ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program (“HAMP”) on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the “HHF Program”). THDA is administering the HHF Program in Tennessee and was awarded $217 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $40,000 for up to 36 months. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of September 30, 2013, 4,599 loans made under the HHF Program have closed. Of these, 19 HHF Program loans, with an aggregate principal balance of approximately $1,299,786, have been made with respect to Program Loans previously financed under the Resolution or the Transferred Program Loans. None of the HHF Program loans are pledged as security for the Bonds.

The Tennessee Attorney General and Reporter participated in the lawsuit brought by 49 states attorneys general against the five largest mortgage loan servicers in the United States. This lawsuit resulted in a settlement under which the affected servicers must, among other things, pay states attorneys general certain sums (the "AG Settlement"). The Tennessee Attorney General and Reporter made $25,000,000 of the AG Settlement amount paid to Tennessee available to THDA for a program to assist borrowers who are at risk of foreclosure due to unexpected medical events. On July 1, 2012, THDA implemented a program that includes all HHF Program requirements described above; however, long term medical hardship is also an eligibility requirement (the "AG Settlement Program"). As of September 30, 2013, 308 loans made under the AG Settlement have closed. Of these, one AG Settlement Program loan, with a principal balance of approximately $40,969, has been made with respect to Program Loans previously financed under the Resolution or the Transferred Program Loans. None of the AG Settlement Program loans are pledged as security for the Bonds.

In addition to federal governmental actions designed to address economic difficulties, both the federal government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. On February 1, 2012, for example, USDA/RD announced its Single Family Housing Guaranteed Rural Refinance Pilot Program. The pilot program is intended to assist existing borrowers in refinancing USDA/RD guaranteed mortgage loans with greater speed and ease. Borrowers will be able to secure lower interest rates and payments without the need of obtaining a new appraisal or new property inspections. Additionally, on March 6, 2012, the Obama Administration announced a new streamlined refinancing plan under which FHA, effective June 11, 2012, reduced its upfront and annual mortgage insurance premiums for refinancings of FHA insured mortgage loans originated before June 1, 2009. These programs have had minimal affect on the THDA Program Loan portfolio.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the Resolution, the resolutions to be adopted in connection with other series of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "- Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution specifies, and the resolutions to be adopted in connection with other series of Bonds under the General Resolution will specify, when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and series to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other series of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Bond Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D "2013 GENERAL RESOLUTION" for a description of Program Expenses. While Costs of Issuance and Underwriters' fees associated with the Offered Bonds and expected to be paid from proceeds of the Offered Bonds, THDA may use funds on deposit in the Debt Service and Expense Account of the Revenue Fund to pay such Costs of Issuance and Underwriters' fees in future transactions. In addition, THDA expects to pay certain Program Expenses, including ongoing Trustee's fees and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from the other THDA bond resolutions and from other resources available to THDA. No assurances can be provided that THDA will not withdraw funds from the Resolution in the future to pay all Program Expenses. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds". THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0.0% per annum until May 1, 2016, 0.5% per annum until May 1, 2019, 1.0% per annum until May 1, 2023, and 1.5% per annum thereafter; and (iii) funds on deposit in the Issue 2013-2 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0.0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment

Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. "150% PSA" assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "200% PSA" assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. "300% PSA" assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "400% PSA" assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "500% PSA" assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under "Changes in Federal or State Law" above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds", and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2013-2 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $36,456,000 of Transferred Program Loans with an approximate weighted average maturity of 248.04 months and an approximate weighted average interest rate of 5.6% will be allocated to the Offered Bonds, (iii) Excess 2013-2 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the related Planned Amortization Amounts as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see "DESCRIPTION OF TRANSFERRED PROGRAM LOANS" herein.

Projected Weighted Average Lives For PAC Bonds

PSA Speed	Issue 2013-2A PAC Bond Average Life (in years)	Issue 2013-2B PAC Bond Average Life (in years)
0%	24.8	24.8
25	16.8	16.8
50	10.2	10.2
75	6.5	6.5
100	5.0	5.0
150	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	5.0	5.0

RESIDENTIAL FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $215,905,000 total original principal amount of bonds under the General Resolution, of which $210,285,000 (unaudited) were outstanding as of September 30, 2013, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of September 30, 2013 (unaudited)	Original Net Interest Cost[1]
Issue 2013-1	May 30, 2013	$215,905,000	$210,285,000	3.13%
TOTAL		$215,905,000	$210,285,000	

(1) Bond yield.

Origination Experience

THDA's experience from May 30, 2013, to September 30, 2013, regarding origination of Program Loans[1] from lendable proceeds of Bonds issued under the General Resolution since May 30, 2013, is shown in the following table:

Issue of Bonds	Lendable Proceeds[2]	Program Loans Financed[3] as of September 30, 2013 Amount	%	Mortgage Interest Rate(s)[4]
2013-1	$135,268,395	$132,013,458	97.59%	4.11%
TOTAL	$135,268,395	$132,013,458		

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for more information about Program Loans.

(2) Excludes proceeds that must be lent at 0% interest as participations in other Program Loans.

(3) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

(4) Weighted average mortgage interest rate.

THDA expects to reimburse itself for the full original principal amount of Program Loans purchased as of the day of closing. THDA began committing Program Loans against the expected lendable proceeds from the Offered Bonds on September 17, 2013, and as of October 15, 2013, THDA has committed a total principal amount of approximately $27,800,000 of Program Loans that will be allocated to the Offered Bonds, all of which are Great Start, Great Advantage or Great Rate Program Loans. For loan applications dated on or after October 1, 2013, the Program Loans will be Great Choice Program Loans.

RESIDENTIAL FINANCE PROGRAM LOANS

Description of Residential Finance Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits and THDA Acquisition Cost Limits for all loan programs are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits are either $240,000 or $275,000 depending on geographic location. The THDA Household Income Limits range from $64,400 to $93,940 depending on household size and geographic location. See Appendix G for a description of Residential Finance Program Loan Procedures related to Code requirements.

For loan applications dated on or before September 30, 2013, the THDA primary loan program includes Great Rate loans, Great Advantage loans and Great Start loans, all as described below. For loan applications dated on or after October 1, 2013, the THDA primary loan program includes Great Choice loans and Great Choice Plus loans, all as described below.

Effective April 15, 2009, THDA imposed certain underwriting changes that apply to Program Loans made after that date. The changes include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2013-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Great Rate/Great Advantage/Great Start Program Loans

Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are available to qualified borrowers who have loan applications dated on or before September 30, 2013. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans are thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan are established at rates which result in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds. The current interest rate for Great Rate Program Loans is 4.50%, the current interest rate for Great Advantage Program Loans is 4.80% and the current interest rate for Great Start Program Loans is 5.10%.

An amount equal to 4% of the loan amount is made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount is made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA finances this downpayment and closing cost assistance from excess revenues available outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance. All other THDA Program Loan requirements remain applicable.

Great Choice Program Loans

For loan applications dated October 1, 2013, and thereafter, Great Choice Program Loans will be available to eligible borrowers. Great Choice Program Loans are thirty year, fixed interest rate loans, fully amortized with full documentation and secured by a first lien on the property purchased. The interest rate for Great Choice Program Loans is set at a rate which results in the yield on such Program Loans not in excess of 1.125% above the yield on the related issue of bonds. The current interest rate for Great Choice Program Loans is 4.60%.

Great Choice Plus Loans

Great Choice Plus Loans are loans for downpayment and closing cost assistance and are available at the election of eligible borrowers in connection with Great Choice Program Loans. They are ten year, 0% interest rate loans in a principal amount equal to 4% of the purchase price of the property purchased. Each Great Choice Plus Loan is fully amortized and secured by a second lien on the property purchased. Great Choice Plus Loans are due on sale and are not assumable.

At the election of THDA, Great Choice Plus Loans may be financed with proceeds of bonds issued under the Resolution or from other resources available to THDA, including, without limitation, excess funds under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. Great Choice Plus Loans will not be financed with the proceeds of the Offered Bonds, will not be Program Loans subject to the lien of the Resolution and will not be additional security for the Offered Bonds. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Great Choice Plus Loans with the proceeds of such Bonds.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of 60% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. An interest rate equal to one-half of the current interest rate for Great Rate Program Loans is available to borrowers who have a maximum family income of 70% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. All other THDA Program Loan requirements remain applicable. As of September 30, 2013 (unaudited), 85 New Start Program Loans, with an aggregate principal balance of approximately $4,796,976, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other Bonds.

Homeownership for the Brave

For eligible borrowers with loan applications dated on or before September 30, 2013, THDA offers Homeownership for the Brave Program Loans at a ½-percentage point reduction on Great Rate Program Loans, Great Advantage Program Loans or Great Start Program Loans. For eligible borrowers with loan applications dated on or after October 1, 2013, Homeownership for the Brave Program Loans are available to eligible borrowers at a ½-percentage point reduction on Great Choice Program Loans. Active and retired members of the military and reservists (180 days' active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of September 30, 2013 (unaudited), 37 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $4,343,382, were outstanding under the General Resolution. Eligible borrowers will also be eligible for Great Choice Plus Loans. THDA may continue to finance Homeownership for the Brave Loans, from time to time, from the proceeds of the Offered Bonds as well as from the proceeds of other Bonds.

Disaster Relief and Economic Recovery Mortgage Program

THDA made Disaster Relief and Economic Recovery Mortgage Program Loans from funds available under the 1974 General Resolution. In connection with Issue 2013-1 Bonds issued under the General Resolution, certain of these Disaster Relief and Economic Recovery Program Loans became Transferred Program Loans allocable to the Issue 2013-1 Bonds under the General Resolution. As of September 30, 2013 (unaudited), 274 Disaster Relief Program Loans, with an aggregate principal balance of approximately $19,538,590, were outstanding under the General Resolution. THDA no longer makes loans under this program.

Residential Finance Program Portfolio Data

General

As of September 30, 2013 (unaudited), 2,704 Program Loans for single family owner-occupied housing having an aggregate outstanding principal amount of approximately $214,517,977 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 306.46 months and an approximate weighted average interest rate of 4.45%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of September 30, 2013 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA (1)	Number of Program Loans	Outstanding Balance (3)	Percent of Total Number of Program Loans (3)	Percent of Outstanding Balance (4)
FHA Insured	2,143	$174,204,230	79.25%	81.21%
VA Guaranteed	47	4,184,417	1.74	1.95
Privately insured	152	12,873,649	5.62	6.00
USDA/RD Guaranteed	146	9,488,081	5.39	4.42
Uninsured(2)	216	13,767,600	7.99	6.42
TOTAL	2,704	$214,517,977	100.00%(4)	100.00%(4)

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least AA by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least AA from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Transferred Loans are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of September 30, 2013 (unaudited), 152[(1)] privately insured Program Loans having an aggregate balance of approximately $12,873,649 were outstanding under the General Resolution. As of September 30, 2013 (unaudited), THDA had the following information regarding the private mortgage insurers for 99 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [(2)]	Percent of Total Number of Program Loans[(2)]	Percent of Outstanding Balance [(2)]
Commonwealth/CMAC	1	$ 23,381	0.00%	0.01%
Genworth Mortgage Insurance Corp. (GE)	34	3,230,919	1.25	1.51
MGIC	33	3,233,050	1.22	1.51
Radian Guaranty Inc.	1	41,371	0.00	0.02
Republic Mortgage Insurance Corporation	20	2,081,927	0.73	0.97
United Guaranty Residential Insurance Co.	10	917,952	0.36	0.43
TOTAL	99	$9,528,600[(3)]	3.57%[(3)]	4.44%[(3)]

(1) The private mortgage insurer is not identified with respect to 53 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) Rounded figures.

(3) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of September 30, 2013 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[(1)]	Outstanding Balance [(2)]	Percent of Total Number of Program Loans[(2)]	Percent of Outstanding Balance [(2)]
0.00-0.99	165	$ 8,908,915	6.11%	4.15%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	0	0	0.00	0.00
3.00-3.99	214	20,743,306	7.91	9.67
4.00-4.99	1,198	133,112,152	44.30	62.05
5.00-5.49	48	3,870,295	1.78	1.80
5.50-5.99	599	20,617,122	22.15	9.61
6.00-6.49	135	12,700,544	4.99	5.92
6.50-6.99	274	12,577,854	10.13	5.86
7.00-7.49	64	1,851,494	2.37	0.86
7.50-7.99	1	100	0.04	0.00
8.00-8.49	0	0	0.00	0.00
8.50-8.99	0	0	0.00	0.00
9.00-9.49	6	136,196	0.22	0.06
TOTAL	2,704	$214,517,977[(3)]	100.00%[(3)]	100.00%[(3)]

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of September 30, 2013

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.78%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	39	$2,518,169	1.44%	1.86%[4]
VA Guaranteed	0	0	0.00	1.06
Privately insured	1	83,133	0.04	0.58[5]
USDA/RD Guaranteed	6	566,696	0.22	[6]
Uninsured	2	162,107	0.07	[6]
TOTAL	48	$3,330,105[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.55%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	64	$3,120,240	2.37%	3.68%(4)
VA Guaranteed	1	38,722	0.04	2.56
Privately insured	2	221,842	0.07	1.05(5)
USDA/RD Guaranteed.........	2	75,435	0.07	(6)
Uninsured..........................	0	0	0.00	(6)
TOTAL	69	$3,456,239(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.63%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of September 30, 2013 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2013, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	36	$1,841,277	1.33%	2.63%(4)
VA Guaranteed	2	163,317	0.07	1.33
Privately insured	2	207,271	0.07	0.67(5)
USDA/RD Guaranteed.........	4	279,643	0.15	(6)
Uninsured..........................	0	0	0.00	(6)
TOTAL	44	$2,491,507(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

As of September 30, 2013, the Transferred Program Loans have an approximate weighted average maturity of 248.04 months and a weighted average interest rate of 5.60% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS – Prepayment Experience of Transferred Program Loans" below. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of September 30, 2013; the Transferred Program Loans will not be allocable to the Offered Bonds until January 1, 2014, and Transferred Program Loan characteristics may change slightly from September 30, 2013, to January 1, 2014).

Transferred Program Loans by Type of Mortgage

Type of Mortgage	Number	Principal Amount [3]	% of Transferred Principal Amount
FHA Insured	378	$28,924,400	79.34%
VA Guaranteed	18	1,696,264	4.65
Privately Insured[1]	5	419,629	1.15
USDA/RD Guaranteed	68	5,062,701	13.89
Uninsured[2]	6	353,818	0.97
TOTAL	475	$36,456,812 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.

(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least AA by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least AA by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of September 30, 2013 (unaudited), 5 privately insured Transferred Program Loans having an aggregate principal balance of approximately $419,629 were outstanding. As of September 30, 2013 (unaudited), the private mortgage insurer is not identified with respect to 4 privately insured Transferred Program Loans as these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers and 1 privately insured Transferred Program Loan was insured by United Guaranty.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to the Prior Bonds. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to the Prior Bonds for the 3 month, 6 month and 12 month periods ended on September 30, 2013, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Mortgage Rate
2004-2	327%	329%	280%	161%	5.60%

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 4.21%, based on a total of 475 Transferred Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2013, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	15	$1,159,716	3.16%	1.86%(4)
VA Guaranteed	1	114,074	0.21	1.06
Privately Insured	0	0	0.00	0.58(5)
USDA/RD Guaranteed	4	284,610	0.84	(6)
Uninsured	0	0	0.00	(6)
TOTAL	20	$1,558,399(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 2.74%, based on a total of 475 Transferred Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of September 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	10	$693,073	2.11%	3.68%[4]
VA Guaranteed	1	88,132	0.21	2.56
Privately Insured	0	0	0.00	1.05[5]
USDA/RD Guaranteed	2	136,406	0.42	[6]
Uninsured	0	0	0.00	[6]
TOTAL	13	$917,611[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 2.74%, based on a total of 475 Transferred Program Loans as of September 30, 2013 (unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of September 30, 2013 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2013, are shown in the following table:

IN FORECLOSURE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	11	$ 873,170	2.32%	2.63%[4]
VA Guaranteed	1	133,950	0.21	1.33
Privately Insured	0	0	0.00	0.67[5]
USDA/RD[1] Guaranteed	1	85,484	0.21	[6]
Uninsured	0	0	0.00	[6]
TOTAL	13	$1,092,605[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

FINANCIAL SUMMARY OF RESIDENTIAL FINANCE PROGRAM

Consolidated Revenues and Net Position

The following table summarizes consolidated revenues and net position for Residential Finance Program Bonds for the year ended June 30, 2013. Data in the table is expressed in thousands and is taken from the THDA's audited financial statements as of and for the year ended June 30, 2013.

Residential Finance Bond Group	Year Ended June 30 (Audited) 2013
REVENUES:	
Interest on Mortgages	$ 222
Investment Income:	
Interest	10
Net Increase (decrease) in the Fair Value of Investments	(83)
Fees and Other Income	76
	225
EXPENSES:	
Interest	551
Issuance Cost	1,679
Mortgage Servicing Fees	18
Down Payment Assistance Grants	-
Other	1
	2,249
Excess of Revenues over Expenses	(2,024)
Net Position at beginning of period	-
Other Transfers	(66,255)
Net Position at end of period	$ (68,279) [1]

[1] On May 30, 2013 THDA issued its Issue 2013-1 Bonds under the General Resolution. Proceeds of the Issue 2013-1 Bonds in an aggregate principal amount of $75,905,000 were applied to the refunding of THDA's Issue 2003-A Bonds under the 1974 General Resolution and THDA's Issue 2004-1 Bonds under the 1985 General Resolution. While the Issue 2013-1 Bonds were issued on May 30, 2013, the assets allocable to the Issue 2003-A and the Issue 2004-1 Bonds in an aggregate amount of approximately $99,855,200 did not transfer to the General Resolution until July 1, 2013, the date of the redemption of such bonds. As a result of such transfer, the net position of the General Resolution as of July 1, 2013, was approximately $31,576,000 (unaudited).

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. THDA solicits bids in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of September 30, 2013 (unaudited), the Resolution investment portfolio was placed as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Farm Credit Bank Notes	$ 0	$ 100,000
Federal Home Loan Bank Notes	8,539,688	4,032,122
Federal Home Loan Mortgage Corporation Notes	0	1,016,113
Fannie Mae Notes	0	1,939,765
TOTAL	$ 8,539,688	$ 7,088,000

As of September 30, 2013 (unaudited), amounts in the Bond Reserve Fund, a portion of the Resolution investment portfolio described above, were invested as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Home Loan Bank Notes	$ 0	$ 3,932,122
Federal Home Loan Mortgage Corporation Notes	0	1,016,113
Fannie Mae Notes	0	1,829,959
TOTAL	$ 0	$ 6,778,194

(1) Short term investments include cash equivalents and investments that mature in one year or less.
(2) Long term investments include investments that mature in more than one year regardless of call features.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

In accordance with Tennessee law, state entities, including THDA, are subject to periodic review by the General Assembly to evaluate the necessity for their continued existence. THDA's existence was previously continued until June 30, 2014. In connection with evaluating the necessity for THDA's continued existence beyond June 30, 2014, a hearing was held on September 18, 2013, by the Government Operations Joint Subcommittee on Judiciary and Government of the House and Senate Committees on Government Operations (the "Subcommittee") to consider THDA's continued existence. The Subcommittee recommended a four year extension of THDA's existence, to June 30, 2018, however, the Subcommittee is expected to convene an additional hearing on or about November 12, 2013, to consider confirmation of the September Subcommittee recommendation. Assuming the September Subcommittee recommendation is confirmed, legislation is expected to be introduced in January 2014 to act on this recommendation. If THDA's existence is terminated, the State is obligated to preserve the rights of the holders of any outstanding THDA bonds or other indebtedness and the obligations and rights of THDA accrue to the State.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of September 30, 2013 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $1,900,545,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that six board members be appointed by the Governor from among the following groups: retail building material supply, manufactured housing, home building, mortgage banking, licensed real estate brokers, local public housing authority, local government and qualifying non-profits. In addition, the Act also provides for a board member to be appointed by the Speaker of the State Senate, a board member be appointed by the Speaker of the State House of Representatives, two at-large board members appointed by the Governor who are knowledgeable about the problems of inadequate housing conditions in Tennessee and any board members as may be required by applicable federal law or regulation. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors are shown below:

Name	**Term Expires**	**Principal Occupation**
Phil M. Baggett	June 30, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
John L. Baker	June 30, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	June 30, 2017	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Mark Cate(1)	(2)	Special Assistant & Policy Advisor to the Governor
Philip C. Chamberlain, II	June 30, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Dorothy L. Cleaves	June 30, 2016	First Vice President, Paragon National Bank Memphis
Kendra Cooke	June 30, 2017	Broker, Cooke Realty Partners/Bob Parks Realty Brentwood, TN
Terry Cunningham	June 30, 2016	Executive Director, Kingsport Housing & Redevelopment Authority, Kingsport, TN
Tre Hargett(1)	January, 2017	Secretary of State
Ronald K. Jones	June 30, 2016	Executive Director, Trevecca Towers Nashville
David H. Lillard, Jr.(1)	January, 2015	State Treasurer
Larry Martin(1)	(2)	Commissioner, Department of Finance and Administration
Benjie Shuler	June 30, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	June 30, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson(1)	January, 2015	Comptroller of the Treasury
Mary Chatman	(3)	Springfield, TN

(1) Ex officio member.

(2) Serves at pleasure of Governor.

(3) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 233 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Lindsay Hall – Senior Director of Single Family Programs since 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Gathelyn (Gay) Oliver - Director of Internal Audit since September 16, 2013. Formerly, Tennessee Department of Human Services (2010-2013); Randa Solutions (2009-2010); Beacon Technologies (2007-2009); BellSouth (1999-2007); Tennessee Department of Revenue (1988-1997, 1998-1999), Tennessee Department of Environment and Conservation(1997-1998). B.B.A., Middle Tennessee State University, M.B.A., Vanderbilt University Owen Graduate School of Management.

Trent Ridley – Chief Financial Officer since 2006. THDA employee since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

THDA's principal office is located at 404 James Robertson Parkway, Suite 1200, Nashville, Tennessee 37243-0900, and its telephone number is (615) 815-2200. As of November 22, 2013, THDA's principal office will be relocated to 502 Deaderick Street, 3rd Floor, Nashville, Tennessee 37243-0200. THDA has regional offices in six (6) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Residential Finance Program and all of the other general bond resolutions and mortgage loan programs of THDA.

The Housing Program Fund is the vehicle used by THDA to fund non-mortgage programs not otherwise funded through federal programs. Essentially, all revenues of THDA derived from sources other than the Residential Finance Program or other bond resolutions are deposited into the Housing Program Fund. Amounts in the Housing Program Fund currently include investment income from the Housing Program Fund, federal funds received by THDA for the administration of federal programs, and fees charged by THDA in connection with its non-mortgage programs. Amounts in the Housing Program Fund are not pledged as security for the Offered Bonds.

The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings, but which presently has a balance of $0. Amounts in the Assets Fund, if any, are not pledged as security for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program described above. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are directed to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002.

Notwithstanding the foregoing, if projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Payment of THDA Operating Expenses, Including Program Expenses

THDA currently receives no funds from the State of Tennessee for operating and administrative expenses. THDA currently pays all operating and administrative expenses, including Program Expenses of the Residential Finance Program, with funds available therefor from the other THDA bond resolutions and from the Housing Program Fund. THDA currently pays only certain expenses, such as Costs of Issuance, Underwriter's fees, Trustee's fees, and other similar costs from bond proceeds. THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriter's fees, Trustee's fees, and other similar costs) and all other THDA operating and administrative costs and expenses from the other THDA bond resolutions and from other resources available to THDA. No assurance can be provided that THDA will not withdraw funds from the Resolution in the future to pay such expenses. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses. Regardless of THDA's best efforts and in the event of additional transfers to the State, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 58,446 active members in TCRS in the state and higher education employee group at June 30, 2013. This total includes 221 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees in the state and higher education group, including THDA employees, are noncontributory.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The last valuation was performed as of July 1, 2011. The report for the next valuation, which will be performed as of July 1, 2013, is expected to be available in early 2014.

Actuarial Valuation

At July 1, 2011, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.555 billion, resulting in a funded ratio of 88.30%. The unfunded actuarial liability would have been $2.520 billion if based on the market value of assets with the funded ratio being 81.03%. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2012, and ending June 30, 2014, is 15.03% based on the actuarial valuation performed as of July 1, 2011.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2013	15.03%	$11,315,872	$1,692,847	1.26%
2012	14.91	11,005,204	1,632,095	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

For the fiscal year ending June 30, 2013, the salary of THDA employees totaled $11,315,872, which represents 0.458% of the $2.469 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred market losses that have been actuarially smoothed are recognized over the next ten years.

New Pension Plan for Employees Hired after June 30, 2014

As authorized by Public Chapter 259, Acts of 2013, employees first hired after June 30, 2014, will participate in a hybrid pension plan consisting of a defined benefit plan and a defined contribution plan. Employees will contribute at 5% of salary to the defined contribution plan. The total employer cost for the two plans will be limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan. The defined benefit component of the hybrid plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include future benefit accruals being adjusted, additional employee contributions being required, or contributions being shifted from the defined contribution plan to the defined benefit plan. The control features only apply to the new hybrid plan and do not apply to the legacy pension plan.

New Governmental Accounting Statements 67 and 68

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements (nos. 67 and 68) relative to how a pension plan and the employer will account for pension expenses and obligations. Statement No. 67 will be effective for the fiscal year ended June 30, 2014 and Statement No. 68 will be effective for the fiscal year ended June 30, 2015. The State of Tennessee will comply with the new accounting requirements when they become effective.

Other Post-Employment Benefits

Certain other GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2011, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $2,919,000 and the annual required contribution for THDA is approximately $362,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2014. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2013-2A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2013-2B Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (iii) interest on the Issue 2013-2B Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned the Offered Bonds a rating of Aa1 and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business ("S&P") has assigned the Offered Bonds a rating of AA+. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's and Standard & Poor's. THDA has furnished to Moody's and Standard & Poor's certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

Due to the ongoing uncertainly regarding the economy of the United States of America (including, without limitation, matters such as the current and future political uncertainty regarding the United States debt limit), obligations, such as the Offered Bonds, issued by state and local governments, and instrumentalities thereof, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 2009 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2013-2 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2013-2 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in "FINANCIAL STATEMENTS" below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under “RESIDENTIAL FINANCE PROGRAM BONDS,” and “RESIDENTIAL FINANCE PROGRAM LOANS” including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, (ii) contained in Appendix E hereto and (iii) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, “Annual Financial Information”). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA’s audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Bond Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on any credit enhancement reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the “IRS”) of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2013-2 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2013-2 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2013-2 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA’s obligations under these agreements as set forth in the Issue 2013-2 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the years ended June 30, 2013, and June 30, 2012, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

UNDERWRITING

Citigroup Global Markets Inc., RBC Capital Markets, LLC, Raymond James & Associates, Inc., J.P. Morgan Securities LLC, Wells Fargo Bank, N.A., and Wiley Bros.—Aintree Capital, LLC (collectively, the “Underwriters”) have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at the prices indicated on the inside cover of this Official Statement. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $787,531.53. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup Global Markets Inc. (“CGMI”), one of the underwriters of the Offered Bonds, has entered into an agreement (the “Distribution Agreement”) with TMC Bonds L.L.C. (“TMC”) for the distribution to retail investors of certain municipal securities offerings. In connection with the Distribution Agreement, TMC has established an electronic primary offering application through which certain broker-dealers and municipal securities dealers approved by CGMI and TMC (each an “Approved Party”) can submit orders for, and receive allocations of, new issue municipal securities for retail investors, and CGMI may share with TMC a portion of its underwriting compensation, which TMC may share with each Approved Party, with respect to Offered Bonds that are allocated to such retail orders. Any such sharing will not affect the aggregate underwriting compensation set forth above or CGMI’s share of such compensation. Citigroup Financial Products Inc., CGMI’s parent company, owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS& Co. will purchase the Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor’s report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying statements of net position of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2013, and June 30, 2012, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2013, and June 30, 2012, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 1, 2013, on our consideration of the Tennessee Housing Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency's internal control over financial reporting.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
October 1, 2013

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2013 and June 30, 2012. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2013, THDA has originated over 110,000 single-family mortgage loans in its 40-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, as well as notes to the financial statements. The statements of net position provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net position summarize the results of operations over the course of each fiscal

year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at www.tn.gov/finance/act/cafr.shtml.

During fiscal year 2013, THDA implemented several accounting standards including GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* Among the requirements of these pronouncements, GASB Statement 63 required the reclassification of Net Assets to Net Position, as well as the reclassification of certain deferred amounts to new categories called Deferred Outflows of Resources and Deferred Inflows of Resources. As applicable to THDA, deferred amounts from bond refundings, which were previously reported as a component of bonds payable (noncurrent), are now reported as Deferred Outflows of Resources. In addition, bond issuance costs, which previously was reported as an asset (deferred charges) and amortized over the life of the bonds, is now recognized as expense in the period when incurred. GASB statement 65 required retroactive implementation and reporting for all financial periods presented; therefore, beginning net position for fiscal year 2012 was restated to reflect the retroactive application of GASB statement 65.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2013

- Total assets increased by $102.4 million, or 3.9%.
- Deferred outflows of resources decreased $0.2 million, or 6.5%.
- Total liabilities increased by $119.3 million, or 5.7%.
- Net position was $526.5 million. This is a decrease of $17.0 million, or 3.1% from fiscal year 2012.
- Cash and cash equivalents increased by $150.7 million, or 59.4%.
- Total investments increased by $56.9 million, or 25.0%.
- Bonds payable increased by $116.5 million, or 5.8%.

- THDA originated $212.2 million in new loans, which is a decrease of $23.6 million, or 10.0%, from the prior year.

Year Ended June 30, 2012

- Total assets decreased by $97.7 million, or 3.6%.
- Deferred outflows of resources decreased $0.9 million, or 26.9%.
- Total liabilities decreased by $136.8 million, or 6.2%.
- Net position was $543.5 million. This is an increase of $38.3 million, or 7.5%, from fiscal year 2011.
- Cash and cash equivalents decreased $57.0 million, or 18.3%.
- Total investments decreased $8.5 million, or 3.6%.
- Bonds and notes payable decreased $123.4 million, or 5.8%.
- THDA originated $235.7 million in new loans, which is an increase of $4.6 million, or 2.0%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position. The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2013	2012	2011
Current assets	$ 495,605	$ 314,268	$ 304,429
Capital assets	194	113	157
Other noncurrent assets	2,231,487	2,310,506	2,418,006
Total assets	2,727,286	2,624,887	2,722,592
Deferred outflows of resources	2,287	2,445	3,346
Current liabilities	303,224	207,708	150,534
Noncurrent liabilities	1,899,882	1,876,123	2,070,179
Total liabilities	2,203,106	2,083,831	2,220,713
Invested in capital assets	194	114	157
Restricted net position	489,105	503,563	502,856
Unrestricted net position	37,168	39,824	2,212
Total net position	$ 526,467	$ 543,501	$ 505,225

2013 to 2012

- THDA's total net position decreased by $17.0 million, or 3.1%, from $543.5 million at June 30, 2012 to $526.5 million at June 30, 2013. While various factors accounted for this change, the most significant factors include a decrease in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, and an increase in bonds payable.

- Mortgage loans receivable decreased by $109.3 million, or 5.2% from $2,096.6 million on June 30, 2012 to $1,987.3 million on June 30, 2013. During FY 2013, single-family mortgage loan originations decreased by $23.6 million, or 10.0% from $235.7 million at June 30, 2012 to $212.2 million at June 30, 2013. Conversely, mortgage loan prepayments and repayments increased by $58.3 million, or 28.0% from $209.0 million at June 30, 2012 to $267.3 million on June 30, 2013.

- Total liabilities increased $119.3 million, or 5.7% from $2,083.8 million at June 30, 2012 to $2,203.1 million on June 30, 2013. The increase is primarily due to an increase in the amount of bonds issued during fiscal year 2013 as compared to fiscal year 2012, as well as a small decrease in the redemption of bonds as compared to fiscal year 2012.

2012 to 2011

- THDA's total net position increased $38.3 million, or 7.6%, from $505.2 million at June 30, 2011 to $543.5 million at June 30, 2012. The net position of $505.2 million at June 30, 2011 was reduced by $14.7 million from the amount previously reported, due to the effect of implementing GASB 65. The primary factor that contributed to this increase was the receipt of $34.5 million of funds from the multi-state national mortgage settlement with the nation's leading mortgage servicers. In addition, THDA's total net position as of July 1, 2011 was revised downward by $14.7 million due to the implementation of GASB Statement 65.

- Mortgage loans receivable decreased $22.8 million, or 1.1%, from $2,119.4 million at June 30, 2011 to $2,096.6 million at June 30, 2012. During FY 2012, single-family mortgage loan originations increased $4.6 million or 2.0% from $231.1 million in FY 2011 to $235.7 million in FY 2012. Conversely, mortgage loan prepayments and repayments increased $28.8 million, or 16.0%, from $180.2 million in FY 2011 to $209.0 million in FY 2012.

- Total liabilities decreased $136.9 million, or 6.2%, from $2,220.7 million at June 30, 2011 to $2,083.8 million at June 30, 2012. As noted above, the implementation of GASB 65 was applied retroactively, therefore requiring a minor revision to the amount of liabilities as previously reported. While there were several factors that led to this decrease, notable year-to-year changes include a decrease of warrants / wires payable from $10.9 million at June 30, 2011 to $0 at June 30, 2012, and a decrease in the total amount of bonds and notes outstanding from $2,143.7 million at June 30, 2011 to $2,015.1 million at June 30, 2012.

Changes in Net Position. The following table summarizes the changes in revenues, expenses and changes in net position between fiscal years (expressed in thousands):

	2013	2012	2011
Operating revenues			
Mortgage interest income	$ 109,158	$ 116,015	$ 119,406
Investment income	(4,346)	11,992	6,156
Other	17,865	17,693	17,041
Total operating revenues	122,677	145,700	142,603
Operating expenses			
Interest expense	78,643	86,020	84,137
Other	41,982	41,298	40,082
Total operating expenses	120,625	127,318	124,219
Operating income	2,052	18,382	18,384
Nonoperating revenues (expenses)			
Grant revenues	237,638	260,371	355,754
Payment from primary government	-	34,500	-
Grant expenses	(256,724)	(274,977)	(369,957)
Total nonoperating revenues (expenses)	(19,086)	19,894	(14,203)
Change in net position	$ (17,034)	$ 38,276	$ 4,181

2013 to 2012

Total operating revenues decreased $23.0 million, or 15.8% from $145.7 million for the year ended June 30, 2012 to $122.7 million for the year ended June 30, 2013. The primary reasons for this decrease are as follows:

- Investment income decreased $16.3 million, or 136.2% from $12.0 million in 2012 to a net loss of $4.3 million in 2013. While interest income from investments decreased marginally, THDA experienced a net decrease in the fair value of investments of $15.2 million in fiscal year 2013, as compared to a net increase in the fair value of investments of $0.3 million in fiscal year 2012.

- Mortgage interest income decreased $6.9 million, or 5.9%, from $116.0 million in 2012 to $109.1 million in 2013. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in fiscal year 2012 to $120.6 million in fiscal year 2013. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

2012 to 2011
Total operating revenues increased $3.1 million from $142.6 million for the year ended June 30, 2011 to $145.7 million for the year ended June 30, 2012. The primary reasons for this increase are as follows:

- Mortgage interest revenue decreased $3.4 million, or $2.8%, from $119.4 million in FY 2011 to $116.0 million in FY 2012. This decrease is due to prepayments of older mortgage loans with higher interest rates, as compared to new loans being originated at historically low interest rates.

- Investment income increased $5.8 million, or 94.8%, from $6.2 million in 2011 to $12.0 million in 2012. While the increase in investment interest income was insignificant, the net increase (decrease) in the fair value of investments improved $5.2 million, or 106.5%, from a net decrease of $4.9 million in FY 2011 to a net increase of $0.3 million in FY 2012.

For the year ended June 30, 2012, total operating expenses increased $3.1 million, or 2.5%, from $124.2 million in 2011 to $127.3 million in 2012. The increase is not significant.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2013	2012	2011
Bonds payable	$ 2,136,806	$ 2,020,302	$ 2,140,486
Notes payable	-	-	3,250
Total bonds and notes payable	$ 2,136,806	$ 2,020,302	$ 2,143,736

Year Ended June 30, 2013
Total bonds and notes payable increased $116.5 million, or 5.8% due primarily to an increase in the amount of bonds issued as well as a decrease in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $456.7 million, with activity arising from three bond issues. With interest rates remaining at historically low

levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $66.5 million of outstanding bonds into new bond originations with lower interest rates.

Year Ended June 30, 2012
Total bonds and notes payable decreased $123.4 million, or 5.8%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $153.7 million, with activity arising from three bond issues. With investment interest rates at historically low levels, THDA has sought out opportunities to call bonds with proceeds from mortgage repayments and prepayments as practical. In addition to nominal advanced bond redemptions from mortgage loan prepayments, THDA refunded $135.1 million of bonds into bonds with lower interest rates.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 56,860,000	Bond Issue 2010-A1
	17,850,000	Bond Issue 2010-A2
	85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	40,000,000	Bond Issue 2010-B
	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	40,000,000	Bond Issue 2011-A
	60,000,000	Bond Issue 2009-B, Subseries B-3
August 25, 2011	40,000,000	Bond Issue 2011-B
	60,000,000	Bond Issue 2009-B, Subseries B-4
November 03, 2011	65,290,000	Bond Issue 2011-C
	34,710,000	Bond Issue 2009-B, Subseries B-5

As of June 30, 2012, all of the bonds issued under issue 2009-B1 had been released, re-designated, and converted into fixed-rate, tax-exempt bonds.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

There were no revisions to THDA's bond ratings during FY 2013 or FY 2012.

Debt Limits
In accordance with *Tennessee Code Annotated,* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2013	FY 2012	FY 2011	FY 2010 and Prior	Total
Funding Sources:					
THDA	$ 6,500,000	$ 6,500,000	$ 6,000,000	$ 24,000,000	$ 43,000,000
State Appropriation	-	-	-	4,350,000	4,350,000
Totals	**$ 6,500,000**	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 47,350,000**
Approved Uses:					
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 700,000	$ 2,800,000	$ 4,900,000
Ramp Program (UCP)	-	-	-	50,000	50,000
Ramp Program	-	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	150,000	150,000	600,000
Homebuyer Education Initiative	-	-	-	300,000	300,000
Emergency Repairs for Elderly	-	2,000,000	2,000,000	8,000,000	12,000,000
Competitive Grants	4,426,409	3,150,000	3,150,000	16,650,000	27,376,409
Pilot Program Manufactured Hsg	500,000	500,000	-	-	1,000,000
Pending Allocations	723,591	-	-	-	723,591
Totals	**$ 6,500,000**	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 47,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2013, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2013, 30 basis

points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/index.aspx?NID=282.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2013, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,265	554	40,491,422	2.19%
90+ Days Past Due	25,265	1,181	89,505,286	4.67%
In Foreclosure	25,265	550	45,013,301	2.18%

As of June 30, 2012, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,430	561	42,078,643	2.12%
90+ Days Past Due	26,430	1,247	93,521,824	4.72%
In Foreclosure	26,430	166	12,663,174	0.63%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 382,434	$ 219,397
Investments (Note 2)	15,310	578
Receivables:		
Accounts	18,155	18,989
Interest	13,435	12,611
First mortgage loans	51,350	51,702
Due from federal government	14,921	10,991
Total current assets	495,605	314,268
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	21,897	34,218
Investments (Note 2)	200,346	186,562
Investment interest receivable	1,753	1,683
Investments (Note 2)	68,533	40,130
First mortgage loans receivable	1,935,924	2,044,906
Advance to local government	3,034	3,007
Capital assets:		
Furniture and equipment	697	556
Less accumulated depreciation	(503)	(443)
Total noncurrent assets	2,231,681	2,310,619
Total assets	2,727,286	2,624,887
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	2,287	2,445
Total deferred outflows of resources	2,287	2,445
LIABILITIES		
Current liabilities:		
Accounts payable	1,642	1,451
Accrued payroll and related liabilities	535	515
Compensated absences	600	555
Due to primary government	71	71
Interest payable	40,279	43,626
Escrow deposits	172	433
Prepayments on mortgage loans	986	1,414
Due to federal government	17,619	10,408
Bonds payable (Note 4)	241,320	149,235
Total current liabilities	303,224	207,708
Noncurrent liabilities:		
Bonds payable (Note 4)	1,895,486	1,871,067
Compensated absences	630	601
Net OPEB obligation (Note 9)	1,303	1,157
Escrow deposits	2,463	3,298
Total noncurrent liabilities	1,899,882	1,876,123
Total liabilities	2,203,106	2,083,831
NET POSITION		
Net investment in capital assets	194	114
Restricted for single family bond programs (Note 5 and Note 7)	472,570	494,270
Restricted for grant programs (Note 5)	13,382	6,140
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,153
Unrestricted (Note 7)	37,168	39,824
Total net position	$ 526,467	$ 543,501

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
OPERATING REVENUES		
Mortgage interest income	$ 109,158	$ 116,015
Investment income:		
Interest	10,881	11,672
Net increase (decrease) in the fair value of investments	(15,227)	320
Federal grant administration fees	15,586	14,475
Fees and other income	2,279	3,218
Total operating revenues	122,677	145,700
OPERATING EXPENSES		
Salaries and benefits	16,083	15,671
Contractual services	3,930	3,208
Materials and supplies	493	184
Rentals and insurance	115	100
Other administrative expenses	445	482
Other program expenses	9,926	11,727
Interest expense	78,643	86,020
Mortgage service fees	7,291	7,539
Issuance costs	3,639	2,243
Depreciation	60	144
Total operating expenses	120,625	127,318
Operating income	2,052	18,382
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	237,638	260,371
Payment from primary government (Note 12)	-	34,500
Federal grants expenses	(237,352)	(260,587)
Local grants expenses	(19,372)	(14,390)
Total nonoperating revenues (expenses)	(19,086)	19,894
Change in net position	(17,034)	38,276
Total net position, July 1	543,501	519,956
Cumulative effect of a change in accounting principle (Note 3)	-	(14,731)
Total net position, July 1, as restated	543,501	505,225
Total net position, June 30	$ 526,467	$ 543,501

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
Cash flows from operating activities:		
Receipts from customers	$ 429,234	$ 378,193
Receipts from federal government	15,344	15,243
Other miscellaneous receipts	2,279	3,218
Acquisition of mortgage loans	(212,166)	(235,740)
Payments to service mortgages	(7,291)	(7,539)
Payments to suppliers	(14,366)	(15,527)
Payments to federal government	-	(1,216)
Payments to employees	(16,123)	(15,644)
Net cash provided by operating activities	196,911	120,988
Cash flows from non-capital financing activities:		
Operating grants received	241,162	308,398
Negative cash balance implicitly financed (repaid)	-	(10,913)
Proceeds from sale of bonds	456,741	248,382
Operating grants paid	(256,797)	(278,480)
Cost of issuance paid	(3,639)	(2,243)
Principal payments	(336,030)	(372,940)
Interest paid	(86,039)	(91,195)
Net cash provided (used) by non-capital financing activities	15,398	(198,991)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(141)	(100)
Net cash used by capital and related financing activities	(141)	(100)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	287,825	409,752
Purchases of investments	(359,985)	(400,926)
Investment interest received	10,694	12,311
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	14	8
Net cash provided (used) by investing activities	(61,452)	21,145
Net increase (decrease) in cash and cash equivalents	150,716	(56,958)
Cash and cash equivalents, July 1	253,615	310,573
Cash and cash equivalents, June 30	$ 404,331	$ 253,615

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 2,052	$ 18,382
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	60	144
Changes in assets and liabilities:		
Decrease in accounts receivable	834	4,758
(increase) decrease in mortgage interest receivable	(709)	183
Decrease in first mortgage loans receivable	109,306	22,790
(Increase) decrease in due from federal government	(242)	768
(Decrease) in accounts payable	(1,258)	(1,460)
Increase in accrued payroll / compensated absences	240	368
(Decrease) in arbitrage rebate liability	-	(1,216)
Investment income included as operating revenue	4,346	(11,992)
Interest expense included as operating expense	78,643	86,020
Issuance cost included as operating expense	3,639	2,243
Total adjustments	194,859	102,606
Net cash provided by operating activities	$ 196,911	$ 120,988
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ (14,037)	$ 12,603
Total noncash investing, capital, and financing activities	$ (14,037)	$ 12,603

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession, local governments, or one of the three grand divisions of the state, and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

f. Deferred Amount on Refundings and Bond Premiums and Discounts

1. Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

2. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S., public housing bonds secured by contracts with the U.S., direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less collected principal.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2013, the bank balance was $18,982,252. At June 30, 2012, the bank balance was $12,042,605. All bank balances at June 30, 2013 and June 30, 2012 were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2013, $18,490,778 was in the BNYM. Of this amount, $18,240,778 exceeded the FDIC insurance coverage. Of the bank balance at June 30, 2012, $11,588,423 was in the BNYM. Of this amount, $11,338,423 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State

Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.treasury.tn.gov.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2013		June 30, 2012	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$183,618,170	2.660	$135,888,316	2.153
U.S. Treasury Coupon	85,574,572	3.899	91,381,418	4.673
U.S. Agency Discount	151,647,000	0.051	0	N/A
Total	$420,839,742	1.972	$227,269,734	1.851

The portfolios include the following investments, stated at par or face value, which have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net position.

Variable Rate Bonds

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 30, 2012. Although these securities were scheduled to mature on January 30, 2017, these bonds were called January 30, 2013. The fair value of these securities on June 30, 2012 was $3,007,326, which is included in U.S. Agency Coupon in the table above.

The agency purchased $4,280,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.93 of par on February 24, 2012. Although these securities were scheduled to mature on December 28, 2026, these bonds were called December 28, 2012. The fair value of these securities on June 30, 2012 was $4,297,377, which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,140,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.875 of par on April 30, 2012. Although these securities were scheduled to mature on October 30, 2019, these bonds were called July 30, 2012. The fair value of these securities on June 30, 2012 was $2,135,998, which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on May 24, 2012. Although these securities were scheduled to mature on November 24, 2017, these bonds were called on November 24, 2012. The fair value of these securities on June 30, 2012 was $1,000,179, which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 14, 2012. Although these

securities were scheduled to mature on June 14, 2027, these bonds were called December 14, 2012. The fair value of these securities on June 30, 2012 was $5,001,205, which is included in U.S. Agency Coupon in the table above.

The agency purchased $6,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 28, 2012. Although these securities were scheduled to mature on June 28, 2027, these bonds were called December 28, 2012. The fair value of these securities on June 30, 2012 was $5,995,374, which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,350,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.75 of par on June 11, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2013 is $2,186,370, and on June 30, 2012 was $2,335,775, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020, to 4.0% on June 11, 2022, to 6.0% on June 11, 2023, to 7.0% on June 11, 2024, to 8.0% on December 11, 2024, to 10.0% on June 11, 2025, to 12.0% on December 11, 2025, to 14.0% on June 11, 2026, and to 16.0% on December 11, 2026.

The agency purchased $3,210,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on June 28, 2012 and mature on June 27, 2027. The fair value of these securities on June 30, 2013 is $2,990,898, and on June 30, 2012 was $3,190,002, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 28, 2015, to 3.0% on June 28, 2018, to 4.0% on June 28, 2021, to 5.0% on June 28, 2023, and to 6.5% on June 28, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.12 of par on November 15, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2013, is $2,791,110 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020, to 4.0% on June 11, 2022, to 6.0% on June 11, 2023, to 7.0% on June 11, 2024, to 8.0% on December 11, 2024, to 10.0% on June 11, 2025, to 12.0% on December 11, 2025, to 14.0% on June 11, 2026, and to 16.0% on December 11, 2026.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.80 of par on November 8, 2012 and mature on November 8, 2027. The fair value of these securities on June 30, 2013, is $3,678,796 which is included in U.S. Agency Coupon in the table above. This investment has a

stated coupon rate of 2.0% with a step-up option to 3.0% on November 8, 2017, and to 4.0% on November 8, 2022. This investment is callable quarterly beginning February 8, 2013, and ending November 8, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.45 of par on November 23, 2012 and mature on November 23, 2027. The fair value of these securities on June 30, 2013, is $2,746,311 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.125% on November 23, 2017, to 2.25% on November 23, 2020, to 2.5% on November 23, 2023, to 3.0% on November 23, 2024, to 4.0% on May 23, 2025, to 6.0% on November 23, 2025, to 8.0% on May 23, 2026, to 11.0% on November 23, 2026, and to 14% on May 23, 2027. This investment is callable quarterly beginning May 23, 2013, and ending November 23, 2015.

The agency purchased $2,400,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.65 of par on December 21, 2012 and mature on December 21, 2027. The fair value of these securities on June 30, 2013, is $2,231,131 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on December 21, 2017, to 2.5% on December 21, 2020, to 3.0% on December 21, 2022, to 4.0% on December 21, 2023, to 5.0% on December 21, 2024, to 6.0% on December 21, 2025, to 8.0% on June 21, 2026, to 10.0% on December 21, 2026, and to 12.0% on June 21, 2027. This investment is callable quarterly beginning June 21, 2013, and ending December 21, 2018.

The agency purchased $2,750,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.90 of par on January 30, 2013 and mature on January 30, 2025. The fair value of these securities on June 30, 2013, is $2,612,555 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on January 30, 2018, to 2.5% on January 30, 2021, to 3.0% on January 30, 2022, to 5.0% on January 30, 2023, to 7.0% on July 30, 2023, and to 9.0% on January 30, 2024. This investment is callable quarterly beginning July 30, 2013, and ending October 30, 2016.

The agency purchased $650,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 101.55 of par on September 6, 2012 and mature on August 26, 2025. The fair value of these securities on June 30, 2013, is $651,348 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on August 26, 2013, to 5.0% on August 26, 2016, to 6.0% on August 26, 2019, and to 7.0% on

August 26, 2022. This investment is callable August 26, 2013, August 26, 2016, August 26, 2019, and August 26, 2022.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.18 of par on November 7, 2012 and mature on June 28, 2027. The fair value of these securities on June 30, 2013, is $1,426,929 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on June 28, 2017, to 5.0% on June 28, 2024, and to 6.5% on June 28, 2026. This investment is callable quarterly beginning December 28, 2012, and ending December 28, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on August 27, 2012 and mature on August 27, 2027. The fair value of these securities on June 30, 2013, is $1,919,370 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 2.5% on August 27, 2015, to 3.5% on August 27, 2018, to 4.5% on August 27, 2021, and to 5.5% on August 27, 2024. This investment is callable quarterly beginning August 27, 2012, and ending November 27, 2015.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012 and mature on December 27, 2027. The fair value of these securities on June 30, 2013, is $4,694,220 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.0% on June 27, 2013, and to 3.15% on December 27, 2013. This investment is callable quarterly beginning June 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012 and mature on December 27, 2017. The fair value of these securities on June 30, 2013, is $2,945,187 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.6% with a step-up option to 0.7% on December 27, 2014, to 1.0% on December 27, 2015, to 1.5% on December 27, 2016, and to 3.0% on June 27, 2017. This investment is callable quarterly beginning December 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 28, 2012 and mature on December 28, 2027. The fair value of these securities on June 30, 2013, is $2,813,145 which is included in U.S. Agency Coupon in the table above. This

investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on December 28, 2017, to 4.0% on December 28, 2020, to 5.0% on December 28, 2024, and to 6.0% on December 28, 2025. This investment is callable quarterly beginning June 28, 2013, and ending December 28, 2017.

Credit Risk Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2013 and June 30, 2012 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2013

			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury**[1]	**AA+**	**A-1**	**AA-2**	**Not Rated**[2]
U.S. Agency Coupon	$183,618,170		$167,220,366		$5,114,633	$11,283,171
U.S. Treasury Coupon	85,574,572	$85,574,572				
U.S. Agency Discount	151,647,000			$131,647,320		19,999,680
Total	$420,839,742	$85,574,572	$167,220,366	$131,647,320	$5,114,633	$31,282,851

June 30, 2012

			Credit Quality Rating		
Investment Type	**Fair Value**	**U.S. Treasury**[1]	**AA+**	**AA-2**	**Not Rated**[2]
U.S. Agency Coupon	$135,888,316		$118,089,513	$5,237,564	$12,561,239
U.S. Treasury Coupon	91,381,418	$91,381,418			
Repurchase Agreements	110,000,000				110,000,000
Total	$337,269,734	$91,381,418	$118,089,513	$5,237,564	$122,561,239

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

Concentration of Credit Risk   Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2013		June 30, 2012	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$173,049,950	41.12	$20,608,842	6.11
Federal Home Loan Mortgage Corp	$42,892,295	10.19	$22,155,470	6.57
Federal National Mortgage Assoc.	$95,869,861	22.78	$73,997,504	21.94
Repurchase Agreements – UBS	$0	N/A	$110,000,000	32.61

NOTE 3. ACCOUNTING CHANGE

During the year ended June 30, 2013, the agency implemented GASB Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"; GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"; and GASB Statement 65, "Items Previously Reported as Assets and Liabilities".

Implementation of GASB 62 did not have any financial reporting impact to the agency. Implementation of GASB 63 required the reclassification of net assets to net position, and it also required the deferred amount on refundings to be classified as a deferred outflow of resources.

Implementation of GASB 65 recognizes bond cost of issuance as an expense; therefore the adoption of this statement resulted in the write-off of unamortized cost of issuance as of July 1, 2011. Cost of issuance incurred by the agency is reported as expense in the fiscal years ending June 30, 2012 and June 30, 2013. The cumulative effect of this change in accounting principle decreased the net position at July 1, 2011 by $14,730,999. The financial statements for the fiscal year ending June 30, 2012 have been restated.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$48,965	$61,400

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
HOMEOWNERSHIP PROGRAM BONDS					
2003-1	7/1/2004-7/1/2033	$50,000	1.20 to 5.10	$ -0-	$17,550
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	-0-	25,210
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	-0-	28,115
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	28,185	34,125
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	38,435	44,830
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	39,070	47,545
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	46,605	55,550
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	43,960	54,970
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	44,500	55,975
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	41,175	53,450
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	49,935	62,075
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	53,755	64,530
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	71,385	83,880
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	81,950	97,925
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	90,360	102,995
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	33,675	41,610
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	11,915	28,175
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	47,790	58,695
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	2,975	8,105
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	36,870	43,490
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	59,395	65,220
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	87,655	100,050
2011-1	7/1/2012-7/1/2042	141,255	0.60 to 4.65	125,005	138,915
2012-1	1/1/2013-7/1/2042	133,110	0.80 to 4.50	127,265	-0-
2012-2	7/1/2013-7/1/2043	97,625	0.50 to 4.00	96,960	-0-
Total Homeownership Program Bonds		$2,332,690		$1,258,820	$1,312,985
Plus: Unamortized Bond Premiums				14,419	12,119
Less: Unamortized Bond Discount				(218)	(273)
Net Homeownership Program Bonds				$1,273,021	$1,324,831

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.90 to 4.625	$83,295	$91,845
2010-A	1/1/2011-7/1/2041	160,000	0.60 to 5.00	133,945	146,225
2010-B	7/1/2011–7/1/2041	100,000	0.45 to 4.50	91,245	96,795
2011-A	7/1/2011-7/1/2041	100,000	0.45 to 4.50	90,730	97,475
2011-B	7/1/2012-7/1/2041	100,000	0.25 to 4.50	96,980	99,575
2011-C	7/1/2012-7/1/2041	100,000	0.40 to 4.30	97,020	99,995
Total Housing Finance Program Bonds		$660,000		$593,215	$631,910
Plus: Unamortized Bond Premiums				1,829	2,161
Net Housing Finance Program Bonds				$595,044	$634,071

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
RESIDENTIAL FINANCE PROGRAM BONDS					
2013-1	1/1/2014-7/1/2043	$215,905	0.40 to 4.00	$215,905	$ -0-
Plus: Unamortized Bond Premiums				3,871	-0-
Net Residential Finance Program Bonds				$219,776	$ -0-
Net Total All Issues				$2,136,806	$2,020,302

Housing Finance Program Bonds The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of $34,710,000. The $34,710,000 was blended with the market rate 2011-C bonds in the amount of $65,290,000 for a total of $100,000,000.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2013, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2014	$238,985	$78,133	$317,118
2015	53,630	74,673	128,303
2016	52,575	73,392	125,967
2017	53,870	71,970	125,840
2018	55,030	70,361	125,391
2019 – 2023	230,070	325,553	555,623
2024 – 2028	302,590	273,929	576,519
2029 – 2033	228,440	214,564	443,004
2034 – 2038	289,200	166,610	455,810
2039 – 2043	544,490	58,617	603,107
2044	68,025	1,342	69,367
Total	$2,116,905	$1,409,144	$3,526,049

c. Redemption of Bonds and Notes

During the year ended June 30, 2013, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,235,000, in the Homeownership Program in the amount of $199,355,000 and in the Housing Finance Program in the amount of $31,315,000. The respective carrying values of the bonds were $10,235,000, $202,501,590 and $31,515,181. This resulted in revenue to the Homeownership Program of $3,146,590 and to the Housing Finance Program of $200,181.

On July 19, 2012, the agency issued $133,110,000 in Homeownership Program Bonds, Issue 2012-1. On September 1, 2012, the agency used $43,865,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $43,865,000 early redemption). The carrying amount of these bonds was $43,865,000. The refunding reduced the agency's debt service by $10,700,210 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $6,206,292.

On November 15, 2012, the agency issued $97,625,000 in Homeownership Program Bonds, Issue 2012-2. On January 1, 2013, the agency used $22,625,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $22,625,000 early redemption). The carrying amount of these bonds was $22,625,000. The refunding reduced the agency's debt service by $8,510,283 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $3,758,068.

During the year ended June 30, 2012, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11,200,000, in the Homeownership Program in the amount of $180,970,000 and in the Housing Finance Program in the amount of $17,055,000. The respective carrying values of the bonds were $11,157,769, $183,542,332 and $17,099,460. This resulted in an expense to the Mortgage Finance Program of $42,231 and revenue to the Homeownership Program of $2,572,332 and to the Housing Finance Program of $44,460.

On December 1, 2011, the agency issued $141,255,000 in Homeownership Program Bonds, Issue 2011-1. On January 1, 2012, the agency used $135,095,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $135,095,000 early redemption). The carrying amount of these bonds was $134,393,628. The refunding resulted in a difference of $701,372 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $37,847,406 over the next 18 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $17,103,985.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2013.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Bonds Payable	$2,006,295	$446,640	($336,030)	$2,116,905	$241,320
Plus: Unamortized Bond Premiums	14,280	10,101	(4,262)	20,119	-0-
Less: Unamortized Bond Discounts	(273)	-0-	55	(218)	-0-
Compensated Absences	1,156	74	(-0-)	1,230	600
Escrow Deposits	3,731	1,610	(2,706)	2,635	172
Total	$2,025,189	$458,425	($342,943)	$2,140,671	$242,092

The following table is a summary of the long-term liability activity for the year ended June 30, 2012.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Notes Payable	$3,250	$-0-	($3,250)	$-0-	$-0-
Bonds Payable	2,129,440	246,545	(369,690)	2,006,295	149,235
Plus: Unamortized Bond Premiums	17,120	1,837	(4,677)	14,280	-0-
Less: Unamortized Bond Discounts	(322)	-0-	49	(273)	-0-
Compensated Absences	994	162	(-0-)	1,156	555
Escrow Deposits	4,776	1,484	(2,529)	3,731	433
Arbitrage Rebate Payable	1,217	418	(1,635)	-0-	-0-
Total	$2,156,475	$250,446	($381,732)	$2,025,189	$150,223

e. Notes Issued and Outstanding

Promissory Note On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest was charged quarterly at 3%. The principal matured and was paid on December 22, 2011. The activity of the promissory note is included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET POSITION

The amount shown on the Statement of Net Position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 15.03% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were $1,692,847 $1,632,095, and $1,585,654. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

NOTE 8. INSURANCE-RELATED ACTIVITIES

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The

amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2013, is presented in the *Tennessee Comprehensive Annual Financial Report*. The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only other postemployment benefit (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* Section 8-27-101. Prior to reaching the age of 65, members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for

healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees participating in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan, adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20, but less than 30, years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retirees 65 years of age or older are provided flat-rate premium subsidies, based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 but less than 30 years of service, $37.50; and retirees with 15, but less than 20 years of service, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2013	June 30, 2012
Annual Required Contribution (ARC)	$362	$393
Interest on the Net OPEB Obligation	46	41
Adjustment to the ARC	(49)	(44)
Annual OPEB cost	359	390
Amount of contribution	(213)	(227)
Increase in Net OPEB Obligation	146	163
Net OPEB obligation-beginning of year	1,157	994
Net OPEB obligation-end of year	$1,303	$1,157

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2013	State Employee Group Plan	$ 359	60%	$ 1,303
6/30/2012	State Employee Group Plan	$ 390	58%	$ 1,157
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994

Funded Status and Funding Progress The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2011, was as follows (thousands):

Actuarial valuation date	7/01/2011
Actuarial accrued liability (AAL)	$ 2,919
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 2,919
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,818
UAAL as a percentage of covered payroll	30%

Actuarial valuations involve estimates of the value of reported amounts and probability assumptions far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent in fiscal year 2013. The rate decreases to 8.25 percent in fiscal year 2014, and then reduces by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued

liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2013, the State of Tennessee made payments of $4,715 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2012, made payments of $2,980. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. NATIONAL MORTGAGE SETTLEMENT FUNDS

The State of Tennessee received $41,207,810 from the United States Attorney General for the National Mortgage Settlement. In June 2012, the agency received $34,500,000 of the $41,207,810. The agency plans to use those funds to expand the Keep My Tennessee Home financial assistance program to include long term medical hardships and to provide foreclosure counseling.

NOTE 13. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2013	Mortgage Finance Program		$ 48,965,000
	Homeownership Program		110,810,000
	Housing Finance Program		24,060,000
		Total	$183,835,000

b. Residential Finance Program Bonds, Issue 2013-2, were authorized by the Board of directors on July 23, 2013, not to exceed $125,000,000.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

August 1, 2013	Homeownership Program		$ 21,110,000
	Housing Finance Program		5,795,000
	Residential Finance Program		5,620,000
		Total	$32,525,000

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2013	Homeownership Program		$ 38,165,000
	Housing Finance Program		10,820,000
	Residential Finance Program		2,935,000
		Total	$51,920,000

e. *Tennessee Code Annotated* Section 13-23-101 *et seq.* was amended to revise the composition of the Board of Directors, effective July 1, 2013.

NOTE 14. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

a. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

December 1, 2013	Homeownership Program		$ 33,770,000
	Housing Finance Program		8,035,000
	Residential Finance Program		2,055,000
		Total	$43,860,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%
7/1/2011	State Employee Group Plan	$ -0-	$ 2,919	$ 2,919	0%	$ 9,818	30%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 16,407	$ 71,109	$ 172,570	$ 52,682	$ 69,666	$ 382,434
Investments	-	236	76	-	14,998	15,310
Receivables:						
Accounts	1	889	13,953	3,297	15	18,155
Interest	14	702	9,170	3,466	83	13,435
First mortgage loans	155	4,568	34,612	11,073	942	51,350
Due from federal government	14,921	-	-	-	-	14,921
Due from other funds	9,335	30	-	-	-	9,365
Total current assets	40,833	77,534	230,381	70,518	85,704	504,970
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	17,827	32	167	51	3,820	21,897
Investments	-	13,048	163,796	20,472	3,030	200,346
Investment Interest receivable	-	118	1,522	111	2	1,753
Investments	-	19,755	29,119	15,040	4,619	68,533
First mortgage loans receivable	1,218	126,080	1,208,420	545,288	54,918	1,935,924
Advance to local government	3,034	-	-	-	-	3,034
Capital assets:						
Furniture and equipment	697	-	-	-	-	697
Less accumulated depreciation	(503)	-	-	-	-	(503)
Total noncurrent assets	22,273	159,033	1,403,024	580,962	66,389	2,231,681
Total assets	63,106	236,567	1,633,405	651,480	152,093	2,736,651
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	1,850	437	-	-	2,287
Total deferred outflows of resources	-	1,850	437	-	-	2,287
LIABILITIES						
Current liabilities:						
Accounts payable	1,552	4	57	27	2	1,642
Accrued payroll and related liabilities	535	-	-	-	-	535
Compensated absences	600	-	-	-	-	600
Due to primary government	71	-	-	-	-	71
Interest payable		1,249	28,037	10,430	563	40,279
Escrow deposits	-	172	-	-	-	172
Prepayments on mortgage loans		49	661	245	31	986
Due to federal government	17,619	-			-	17,619
Due to other funds	-	-	9,365	-	-	9,365
Bonds payable	-	48,965	149,535	35,165	7,655	241,320
Total current liabilities	20,377	50,439	187,655	45,867	8,251	312,589
Noncurrent liabilities:						
Bonds payable	-	-	1,123,487	559,878	212,121	1,895,486
Compensated absences	630	-	-	-	-	630
Net OPEB obligation	1,303	-	-	-	-	1,303
Escrow deposits	281	2,182	-	-	-	2,463
Total noncurrent liabilities	2,214	2,182	1,123,487	559,878	212,121	1,899,882
Total liabilities	22,591	52,621	1,311,142	605,745	220,372	2,212,471
NET POSITION						
Net investment in capital assets	194	-	-	-	-	194
Restricted for single family bond programs	-	172,414	322,700	45,735	(68,279)	472,570
Restricted for grant programs	-	13,382	-	-	-	13,382
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Unrestricted	37,168	-	-	-	-	37,168
Total net position	$ 40,515	$ 185,796	$ 322,700	$ 45,735	$ (68,279)	$ 526,467

Exhibit B

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	$ 56	$ 5,406	$ 74,057	$ 29,417	$ 222	$ 109,158
Investment income:						
Interest	46	1,309	8,704	812	10	10,881
Net (decrease) in the fair value of investments	-	(1,812)	(11,724)	(1,608)	(83)	(15,227)
Federal grant administration fees	15,586	-	-	-	-	15,586
Fees and other income	1,845	358	-	-	76	2,279
Total operating revenues	17,533	5,261	71,037	28,621	225	122,677
OPERATING EXPENSES						
Salaries and benefits	16,083	-	-	-	-	16,083
Contractual services	3,930	-	-	-	-	3,930
Materials and supplies	493	-	-	-	-	493
Rentals and insurance	115	-	-	-	-	115
Other administrative expenses	445	-	-	-	-	445
Other program expenses	3,557	3,074	3,008	286	1	9,926
Interest expense	-	2,819	54,352	20,921	551	78,643
Mortgage service fees	-	396	4,750	2,127	18	7,291
Issuance costs	-	-	1,960	-	1,679	3,639
Depreciation	60	-	-	-	-	60
Total operating expenses	24,683	6,289	64,070	23,334	2,249	120,625
Operating income (loss)	(7,150)	(1,028)	6,967	5,287	(2,024)	2,052
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	237,636	2	-	-	-	237,638
Payment from primary government	-	-	-	-	-	-
Federal grants expenses	(237,333)	(19)	-	-	-	(237,352)
Local grants expenses	(11,417)	-	(7,955)	-	-	(19,372)
Total nonoperating revenues (expenses)	(11,114)	(17)	(7,955)	-	-	(19,086)
Income (loss) before transfers	(18,264)	(1,045)	(988)	5,287	(2,024)	(17,034)
Transfers (to) other funds	-	-	(11,424)	(1,652)	(66,255)	(79,331)
Transfers from other funds	15,688	63,643	-	-	-	79,331
Change in net position	(2,576)	62,598	(12,412)	3,635	(68,279)	(17,034)
Total net position, July 1	43,091	123,198	335,112	42,100	-	543,501
Total net position, June 30	$ 40,515	$ 185,796	$ 322,700	$ 45,735	$ (68,279)	$ 526,467

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	$ 180	$ 20,876	$ 322,786	$ 85,147	$ 245	$ 429,234
Receipts from federal government	15,344	-	-	-	-	15,344
Receipts from other funds	-	-	2,790	-	-	2,790
Other miscellaneous receipts	1,845	358	-	-	76	2,279
Acquisition of mortgage loans	-	(7,058)	(149,162)	-	(55,946)	(212,166)
Payments to service mortgages	-	(396)	(4,750)	(2,127)	(18)	(7,291)
Payments to suppliers	(7,806)	(3,262)	(3,006)	(292)	-	(14,366)
Payments to other funds	(2,761)	(29)	-	-	-	(2,790)
Payments to employees	(16,123)	-	-	-	-	(16,123)
Net cash provided (used) by operating activities	(9,321)	10,489	168,658	82,728	(55,643)	196,911
Cash flows from non-capital financing activities:						
Operating grants received	241,160	2	-	-	-	241,162
Transfers in (out)	15,688	63,643	(11,424)	(1,652)	(66,255)	-
Proceeds from sale of bonds	-	-	236,952	-	219,789	456,741
Operating grants paid	(248,823)	(19)	(7,955)	-	-	(256,797)
Cost of issuance paid	-	-	(1,960)	-	(1,679)	(3,639)
Principal payments	-	(12,435)	(284,900)	(38,695)	-	(336,030)
Interest paid	-	(3,000)	(60,872)	(22,166)	(1)	(86,039)
Net cash provided (used) by non-capital financing activities	8,025	48,191	(130,159)	(62,513)	151,854	15,398
Cash flows from capital and related financing activities:						
Purchases of capital assets	(141)	-	-	-	-	(141)
Net cash used by capital and related financing activities	(141)	-	-	-	-	(141)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	48,776	186,776	63,704	-	299,256
Purchases of investments	-	(62,946)	(211,487)	(74,250)	(22,733)	(371,416)
Investment interest received	46	1,321	8,556	766	5	10,694
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	10	1	3	14
Net cash provided (used) by investing activities	46	(12,849)	(16,145)	(9,779)	(22,725)	(61,452)
Net increase (decrease) in cash and cash equivalents	(1,391)	45,831	22,354	10,436	73,486	150,716
Cash and cash equivalents, July 1	35,625	25,310	150,383	42,297	-	253,615
Cash and cash equivalents, June 30	$ 34,234	$ 71,141	$ 172,737	$ 52,733	$ 73,486	$ 404,331

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to						
net cash provided (used) by operating activities:						
Operating income (loss)	$ (7,150)	$ (1,028)	$ 6,967	$ 5,287	$ (2,024)	$ 2,052
Adjustments to reconcile operating income to						
net cash provided (used) by operating activities:						
Depreciation	60	-	-	-	-	60
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(1)	(246)	1,170	(74)	(15)	834
(Increase) decrease in mortgage interest receivable	1	84	(176)	(538)	(80)	(709)
(Increase) decrease in first mortgage loans receivable	154	9,660	98,873	56,479	(55,860)	109,306
Decrease in due from federal government	(242)	-	-	-	-	(242)
Decrease in interfund receivables	-	-	2,790	-	-	2,790
(Decrease) in interfund payables	(2,761)	(29)	-	-	-	(2,790)
Increase (decrease) in accounts payable	424	(1,274)	(298)	(143)	33	(1,258)
Increase in accrued payroll / compensated absences	240	-	-	-	-	240
Investment income included as operating revenue	(46)	503	3,020	796	73	4,346
Interest expense included as operating expense	-	2,819	54,352	20,921	551	78,643
Issuance cost included as operating expense	-	-	1,960	-	1,679	3,639
Total adjustments	(2,171)	11,517	161,691	77,441	(53,619)	194,859
Net cash provided (used) by operating activities	$ (9,321)	$ 10,489	$ 168,658	$ 82,728	$ (55,643)	$ 196,911
Noncash investing, capital, and financing activities:						
Increase in fair value of investments	$ -	$ (1,560)	$ (11,008)	$ (1,385)	(84)	$ (14,037)
Total noncash investing, capital, and financing activities	$ -	$ (1,560)	$ (11,008)	$ (1,385)	$ (84)	$ (14,037)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION - MORTGAGE FINANCE PROGRAM
JUNE 30, 2013
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 62,838	$ 8,062	$ 70,900	$ 209	$ 71,109
Investments	95	122	217	19	236
Receivables:					
Accounts	585	299	884	5	889
Interest	643	57	700	2	702
First mortgage loans	4,283	285	4,568	-	4,568
Due from other funds	-	30	30	-	30
Total current assets	68,444	8,855	77,299	235	77,534
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	32	-	32	-	32
Investments	13,048	-	13,048	-	13,048
Investment interest receivable	118	-	118	-	118
Investments	2,781	16,177	18,958	797	19,755
First mortgage loans receivable	120,720	5,360	126,080	-	126,080
Total noncurrent assets	136,699	21,537	158,236	797	159,033
Total assets	205,143	30,392	235,535	1,032	236,567
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	1,850	-	1,850	-	1,850
Total deferred outflows of resources	1,850	-	1,850	-	1,850
LIABILITIES					
Current liabilities:					
Accounts payable	2	2	4	-	4
Interest payable	1,249	-	1,249	-	1,249
Escrow deposits	-	-	-	172	172
Prepayments on mortgage loans	46	3	49	-	49
Bonds payable	48,965	-	48,965	-	48,965
Total current liabilities	50,262	5	50,267	172	50,439
Noncurrent liabilities:					
Escrow deposits	-	1,436	1,436	746	2,182
Total noncurrent liabilities	-	1,436	1,436	746	2,182
Total liabilities	50,262	1,441	51,703	918	52,621
NET POSITION					
Restricted for single family bond programs	156,731	15,569	172,300	114	172,414
Restricted for grant programs	-	13,382	13,382	-	13,382
Total net position	$ 156,731	$ 28,951	$ 185,682	$ 114	$ 185,796

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution are expected to be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price. However, under the General Resolution, some or all of these requirements may be modified by a Supplemental Resolution with respect to Program Loans financed with the proceeds of Bonds subsequently issued pursuant to such Supplemental Resolution.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien or other approved lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank and Magna Bank (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 83% of THDA's entire portfolio of mortgage loans. Magna Bank services the remainder. THDA itself is also permitted to service Program Loans on limited basis. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA.

The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

2013 GENERAL RESOLUTION

This Appendix D includes the General Residential Finance Program Bond Resolution (the "2013 General Resolution") adopted by the THDA Board of Directors on January 29, 2013, as amended and supplemented by the Bond Finance Committee of the THDA Board of Directors on April 18, 2013.

TENNESSEE HOUSING DEVELOPMENT AGENCY

General Residential Finance Program Bond Resolution

Adopted January 29, 2013
as amended and supplemented
by the Bond Finance Committee of
THDA on April 18, 2013

ARTICLE I
SHORT TITLE, DEFINITIONS AND INTERPRETATION

ARTICLE II
TERMS OF BONDS

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

ARTICLE IV
APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

ARTICLE X
DEFAULTS AND REMEDIES

ARTICLE XI
CONCERNING THE FIDUCIARIES

ARTICLE XII
DEFEASANCE MISCELLANEOUS PROVISIONS

General Residential Finance Program Bond Resolution

BE IT RESOLVED *by the Board of Directors of THDA as follows:*

ARTICLE I

SHORT TITLE, DEFINITIONS AND INTERPRETATION

Section 1.1. Short Title. This resolution may hereafter be cited by THDA and is hereinafter sometimes referred to as the "General Residential Finance Program Bond Resolution."

Section 1.2. Definitions. In this Resolution, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means one or more, as the case may be, of the Accounts established pursuant to this Resolution.

"*Accountant*" means the department of audit, division of state audit, in the office of the Comptroller of the Treasury of the State or an independent certified public accountant or firm of independent certified public accountants as may be selected in accordance with applicable laws and may be the accountant or firm of accountants who regularly audit the books and accounts of THDA.

"*Act*" means the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, Sections 13-23-01 et seq., as amended.

"*Aggregate Debt Service*" means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

"*Appreciation Bond*" means any Bond whose Issue Amount is less than 97.5% of the Maturity Amount.

"*Authorized Officer*" means the Chairman and Executive Director of THDA and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of THDA then authorized to perform such act or discharge such duty.

"*Bond" or "Bonds"* means any Residential Finance Program Bond authenticated and delivered under this Resolution and issued under a Supplemental Resolution.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by THDA.

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond means the registered owner of any Outstanding Bond.

"*Bond Reserve Fund*" means the Bond Reserve Fund established pursuant to Section 5.1.

"*Bond Reserve Fund Requirement*" means, as of any date of calculation, the greater of (i) an amount equal to the aggregate of the respective amounts for each Series of Bonds, if any, established in the Supplemental Resolution authorizing such Series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Resolution or (ii) the report of an accountant as to audit or other procedures called for by this Resolution.

"*Code*" means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"*Compounded Amount*" means, as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by THDA in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to Section 2.6, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to Section 2.6. Any determination of Compounded Amount shall assume semi-annual compounding on each January 1 and July 1, straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Debt Service*" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"*Event of Default*" means any of the events specified in Section 10.1.

"*Federal Mortgage Agency*" means the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

"*Fiduciary*" means the Trustee and any Paying Agent, or any or all of them as may be appropriate.

"*Final Compounding Date*" means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year.

"*Fund*" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"*Interest Payment Date*" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"*Internal Rate of Return*" when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to Section 2.6 and compounded semi-annually, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Investment Securities*" means and includes any of the following obligations, to the extent the same are consistent with the then existing investment policy of THDA and at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) bonds, notes and treasury bills of the United States of America or other obligations guaranteed as to principal and interest by the United States of America or any of its agencies;

(2) obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association;

(3) repurchase agreements for obligations of the United States of America or its agencies with any financial institution with long-term unsecured debt rated at least "AA" by S&P and "Aa3" by Moody's;

(4) certificates of deposit in banks and savings and loan associations recognized as "State Depositories" pursuant to Section 9-4-107 of the Tennessee Code Annotated; provided, that certificates of deposit are collateralized in accordance with Section 9-4-403 of the Tennessee Code Annotated, and provided, further, that the provider of such certificate of deposit shall have a long-term unsecured debt rating of at least "AA-" by S&P and "Aa3" by Moody's;

(5) prime commercial paper which shall be rated in the highest category by S&P and Moody's;

(6) prime banker's acceptances (having maturities of not more than 365 days) that are eligible for purchase by the federal reserve system, provided by any bank, the short-term obligations of which are rated at least "A-1+" by S&P and "P-1" by Moody's;

(7) guaranteed investment contracts with any financial institution with a long-term unsecured debt rating of at least "AA" by S&P and "Aa3" by Moody's; provided that such guaranteed investment contract shall have a termination date no later than five and one half years from the date of issuance of the related series of Bonds, except that the termination date with respect to a guaranteed investment contract for any funds on deposit in the Bond Reserve Fund shall be no later than the maturity date of the related series of Bonds; and

(8) any other investments which, at the time of such investment, are authorized for investment of funds of THDA under the Act and would not adversely affect the then current rating assigned to the Bonds.

"*Issuance Amount*" means the price, exclusive of accrued interest (if any), at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, Costs of Issuance, or similar costs.

"*Loan Fund*" means the Loan Fund established in Section 5.1.

"*Maturity Amount*" means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on a semi-annual basis.

"*Moody's*" means Moody's Investors Service, Inc., and any successor.

"*Non-Mortgage Receipts*" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund, but shall not include Revenues.

"*Non-Mortgage Receipts Account*" means the Non-Mortgage Receipts Account established in the Revenue Fund pursuant to this Resolution.

"*Outstanding*," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(B), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.6, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"*Paying Agent*" means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"*Permitted Encumbrances*" means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to THDA, indemnity has been provided or similar steps to secure the interest of THDA have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as THDA shall determine do not impair the use or value of the premises.

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in subsection 5.3(D), of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"*Program*" means the various programs for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such programs are financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"*Program Expenses*" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"*Program Guidelines*" means the Program Guidelines adopted by THDA for the Program as in effect on the date of adoption of this Resolution and as revised, amended, altered or supplemented from time to time in accordance with the Act.

"*Program Loan*" means any obligation, including a participation interest therein, acquired by THDA by the expenditure of amounts in the Loan Fund. Such Program Loan shall be made to finance the acquisition of residential housing, or if authorized by a Supplemental Resolution, to finance costs of improvements to or rehabilitation of residential housing or to provide down payment and closing cost assistance. If authorized by a Supplemental Resolution, the term "Program Loan" shall also include a Program Security backed by a pool of Program Loans satisfying any conditions as may be set forth in such Supplemental Resolution.

"*Program Loan Loss Coverage*" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"*Program Security*" means an obligation representing an undivided interest in a pool of Program Loans issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

"*Projected Cash Flow Statement*" means a Certificate delivered pursuant to the provisions of Section 7.11.

"*Rating Agency*" means any nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of THDA; initially, Moody's and S&P.

"*Redemption Account*" means the Redemption Account which is established and created in the Revenue Fund pursuant to this Resolution.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to this Resolution.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bond*" means any Bond authenticated and delivered on original issuance pursuant to Section 2.7 or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to this Resolution.

"*Resolution*" means this Resolution and any amendments or supplements made in accordance with its terms.

"*Revenue Fund*" means the Revenue Fund established pursuant to Section 5.1.

"*Revenues*" means, upon receipt thereof by THDA, all payments proceeds, rents, charges and other cash income received by THDA from or on account of any Program Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, principal and interest on any Program Loan) or Program Security, but excludes (i) any amount retained by a servicer of any Program Loan as compensation for services rendered in connection with such Program Loan, (ii) any payments for the guaranty or insurance of any Program Loan or Program Security, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Loan and (iv) payments or charges constituting construction performance or completion reserves required pursuant to a Program Loan.

"*S&P*" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, and any successor.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

"*State*" means the State of Tennessee.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of this Resolution, adopted by THDA and effective in accordance with Article VIII.

"*THDA*" means the Tennessee Housing Development Agency, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of THDA.

"*Trustee*" means U.S. Bank National Association, the Trustee appointed as provided in Section 11.1 and its successor or successors and any other person at any time substituted in its place pursuant to this Resolution.

Section 1.3. Interpretation. In this Resolution, unless the context otherwise requires:

(1) the terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution, and the term "heretofore" means before, and the term "hereafter" means after, the date of adoption of this Resolution;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(5) if at any time there shall be one person who shall be the holder of all of the Outstanding Bonds and the consent of the Trustee shall be required, the consent of such person shall be required in lieu of the consent of the Trustee, unless such person shall have been notified and shall not have consented within a reasonable period of time;

(6) this Resolution shall be governed by and construed in accordance with the applicable laws of the State;

(7) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of said Bond;

(8) the date upon which any Sinking Fund Payment is required to be paid pursuant to this Resolution and the provisions of the Bonds of each Series shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(9) the verb "finance", when used with reference to a Program Loan, shall be construed to include (i) the making or purchase of such Program Loan (ii) the participation by THDA, either with itself or with others, in the making or purchase thereof or (iii) the permanent financing of a Program Loan which has been temporarily financed by THDA through the issuance of notes or other obligations or otherwise;

(10) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon;

(11) any moneys, documents, securities, obligations or other items received by the Trustee pursuant to the terms of this Resolution shall be deemed to have been received by THDA;

(12) any reference in this Resolution to principal or interest on bonds which is payable on a certain date or during a certain period of time is a reference to an amount payable on such date or during such period and does not include the obligation to pay any principal or interest after such date or period;

(13) any reference to the principal amount of Bonds shall be a reference to the Maturity Amount or the Compounded Amount thereof as of any particular date of computation in the case of Appreciation Bonds and shall mean the amount, irrespective of interest, payable upon the maturity of any Bond which is not an Appreciation Bond;

(14) references to "semi-annual" payments of interest or compounding of yield refer to payment or compounding on January 1 and July 1 of each year; and

(15) the "Compounded Amount" of an Appreciation Bond represents an accrual of the principal amount thereof payable at maturity and does not represent interest thereon, except that, for purposes of determining the Redemption Price of a Bond, the priority of payments under Section 10.3 and the required principal amount in connection with approvals and consents of Bondholders pursuant to this resolution, any

increase in the Compounded Amount occurring since the most recent Interest Payment Date shall be treated as if it were interest.

(B) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than THDA, the Fiduciaries and the holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of THDA, shall be for the sole and exclusive benefit of THDA, the Fiduciaries and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of THDA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.1. Authorization for Resolution and Bonds. This Resolution and the issuance of Bonds hereunder have been duly authorized by THDA and the principal amount of Bonds that may be issued hereunder is not limited except as provided herein or by law. THDA has ascertained and it is hereby determined and declared that the adoption of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of THDA in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the purposes of THDA under the Act.

Section 2.2. Resolution to Constitute Contract. The provisions of this Resolution shall be deemed to be and shall constitute a contract among THDA, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of THDA shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

Section 2.3. Obligation of Bonds.

(A) This Resolution creates an issue of Bonds of THDA and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest on such Bonds, including any Sinking Fund Payments for the retirement thereof. The Bonds shall be special, limited obligations of THDA payable solely from the revenues and assets pledged therefor pursuant to this Resolution. The Bonds shall not be deemed to constitute a debt, liability, or obligation of the State or of any other political subdivision thereof, and neither the full faith and credit, nor the taxing power of the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds. The Bonds shall contain on their face a statement that THDA shall not be obligated to pay the Bonds, nor the interest thereon, except from the revenues or assets pledged by THDA therefor and that neither the full faith and credit, nor the taxing power of the State or of any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds.

(B) The Revenues and Non-Mortgage Receipts and all amounts held in any Fund or Account, including investments thereof, are hereby pledged to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. In addition, subject to the provisions of subsection 10.2(D), THDA hereby pledges and assigns, to secure the payment of the Bonds, all right, title and interest of THDA in and to the Program Loans, including any extensions and renewals thereof. To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice hereof.

Section 2.4. Authorization of Bonds. In order to provide sufficient funds for the operation of the Program or for the refunding of Bonds, bonds of THDA are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided by law. No Bonds shall be issued unless they are part of an issue described in a Supplemental Resolution and until the conditions contained in Section 2.6 or, in the case of Refunding Bonds, Section 2.7 are satisfied.

Section 2.5. Issuance and Delivery of Bonds. After their authorization by THDA, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication and, upon compliance by THDA with the requirements of Section 2.6 and, in the case of Refunding Bonds, Section 2.7, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of THDA.

Section 2.6. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be executed by THDA for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to THDA or upon its order, but only upon the receipt by the Trustee of:

(1) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

(a) the authorized principal amount (by reference to the amount payable at maturity thereof) and designation of such Bonds;

(b) the purposes for which such Bonds are being issued, which shall be one or more of the following: (i) the making of deposits into the Loan Fund, (ii) the making of deposits in at least the amounts, if any, required by this Resolution into the Revenue Fund and Bond Reserve Fund, (iii) the refunding of any Bonds, or (iv) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds (or the manner of determining such dates);

(d) the interest rates of such Bonds (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Bonds;

(f) the Paying Agents and the places of payment of such Bonds or, subject to Article XI, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of Article VI, the redemption terms for such Bonds or the manner of determining such Redemption Prices or terms of redemption;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds of like maturity or the manner of determining such amounts and dates;

(i) provisions for the time, place and manner of such sale of such Bonds, as provided in the Act;

(j) provisions concerning the forms of such Bonds and of the Trustee's certificate of authentication; and

(k) any other provisions deemed advisable by THDA as shall not conflict with the provisions hereof;

(2) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution and any other authorization or determination necessary as a condition precedent to the delivery of such Bonds has been duly and lawfully adopted or made and is in full force and effect; (ii) this Resolution has been duly and lawfully authorized, executed and delivered by THDA and is valid and binding upon, and enforceable against, THDA (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Resolution creates the valid pledge which

it purports to create of the Revenues and of moneys and securities or deposit in any of the Funds established hereunder, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (iv) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Resolution;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer and attaching a schedule of Compounded Amounts in the event THDA wishes to specify such amounts with respect to any Appreciation Bonds which constitute a portion of such issue;

(4) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to Section 4.1;

(5) except in the case of the initial Series of Bonds hereunder, a Certificate of an Authorized Officer stating that the conditions of Section 7.14 for the issuance of additional Bonds have been met;

(6) a Projected Cash Flow Statement, as of the date of such delivery, complying with the conditions of subsection 7.11(C); and

(7) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution entered into pursuant to Article VIII.

Section 2.7. Conditions Precedent to Delivery of Refunding Bonds.

(A) In addition to the requirements of Section 2.6, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(1) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the obligations to be refunded (which may include Bonds, or bonds or other obligations of THDA issued pursuant to THDA resolutions other than the Resolution) and the payment or redemption dates, if any, upon which such obligations are to be paid or redeemed;

(2) if the obligations to be refunded are to be redeemed subsequent to the next succeeding ninety days, irrevocable instructions to the Trustee to give, in accordance with the appropriate resolution of THDA which authorized the issuance of such obligations, notice of the redemption of such obligations on a specified date prior to their redemption date; and

(3) either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the obligations to be refunded, together with accrued interest on such obligations to the due date or redemption date, or (ii) Investment Securities as described in subsection (B) of Section 12.1 (or, as applicable, such other investments as required by the appropriate resolution of THDA which authorized the issuance of such obligations to cause such obligations to be similarly defeased), the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or redemption price of the obligations to be refunded, together with accrued interest on such obligations to the redemption dates or dates of maturity thereof, which moneys or appropriate investments shall be held by the Trustee or any one or more of the Paying Agents in the Redemption Fund, or, as applicable, by the Trustee under the resolution of THDA which authorized the issuance of such obligations.

(B) To the extent the obligations being refunded are Bonds issued hereunder, except as provided in Section 12.1 or paragraph 10.2(A)(6), neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (A)(3) of this Section or principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in subsection 12.1(B) maturing at times and in amounts sufficient to pay when due the

principal or applicable Redemption Price of such Bonds, together with such accrued interest. Nothing in this Section, however, is intended to restrict the use of amounts received on account of any portion of the principal or interest on any Investment Securities deposited pursuant to subsection (A) above which are in excess of the amounts required to be so deposited in order to provide moneys sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds and, to the extent such Bonds have been deemed to have been paid within the meaning of Section 12.01, such amounts may be pledged by THDA and withdrawn by THDA as received and applied to any purpose of THDA, free and clear of the lien of this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Medium of Payment, Denomination, Maturities, Form and Date.

(A) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Except as may otherwise be provided in a Supplemental Resolution, all Bonds shall be in the denomination of $5,000 each or in denominations of any whole multiple thereof.

(C) Except as may otherwise be provided in a Supplemental Resolution, the date upon which any Principal Installment with respect to a Series of Bonds is payable shall be the first day of any January or July. Except as may otherwise be provided in a Supplemental Resolution, interest on each Bond shall be payable semiannually on the first day of any January or July commencing, with respect to any Series of Bonds, on the January 1 or July 1 set forth in the Supplemental Resolution adopted in connection with the issuance of such Series.

(D) Bonds shall be issued in fully registered form, without coupons.

(E) All Bonds shall bear interest from their date unless another date for the accrual of interest thereon is specified in such Bond. Interest may be made payable at a final or variable rate, based on the principal amount of the Bond (including the Compounded Amount from time to time), or upon any other amount specified in the Bond or incorporated therein by reference. Upon the original delivery of the Bonds or an exchange or transfer of Bonds pursuant to Section 3.5 or Section 3.6 hereof, the Trustee shall note the date of authentication on each Bond to be delivered. Each Bond delivered upon transfer or in exchange for or in lieu of any other Bond shall carry all the right to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise.

Section 3.3. Interchangeability of Bonds. Upon surrender thereof at the principal or corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Bonds may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.6, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any of the authorized denominations.

Section 3.4. Negotiability and Registry. All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, THDA shall maintain and keep, at the principal or corporate trust office of the Trustee, books for the registration, transfer and exchange of Bonds. So long as any of the Bonds remain Outstanding, THDA shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

Section 3.5. Transfer of Bonds.

(A) Except as provided for in Section 3.7 herein, each fully registered Bond shall be transferable only upon the books of THDA, which shall be kept for such purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written

instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such fully registered Bond, THDA shall issue in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(B) THDA and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of THDA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither THDA nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.6. Regulations With Respect to Exchanges and Transfers. Except as provided for in Section 3.6 herein, in all cases in which the privilege of exchanging or transferring Bonds is exercised, THDA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, THDA or the Trustee may make a charge sufficient to reimburse it for any expenses of THDA or the Trustee in connection therewith and for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds or as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. If the Bonds are not registered with a central depository system as provided in Section 3.7, THDA shall not be obliged to make any such exchange or transfer of Bonds (i) during the ten days preceding an Interest Payment Date on such Bonds, (ii) during the ten days preceding the date of the mailing of notice of any proposed redemption of Bonds, or (iii) with respect to any particular Bond, after such Bond has been called for redemption. THDA may, by written notice to the Trustee, establish a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, but such record date shall be not more than ten days preceding an Interest Payment Date on such Bonds or, in the case of any proposed redemption of Bonds next preceding the date of the first redemption of Bonds.

Section 3.7. Central Depository System.

(A) Notwithstanding the other provisions of this Resolution regarding registration, ownership, transfer, Bondholder consent, payment and exchange of Bonds, and the giving of notices of Bondholders as required by the provisions of this Resolution, a Supplemental Resolution may provide that all or a portion of Bonds shall be issued as book-entry only Bonds and registered in the name of a central securities depository or its nominee (the “Central Securities Depository”), in which case matters relating to registration, ownership, transfer, consent, payment and exchange of Bonds, and relating to the giving of notices to Bondholders as required by the provisions of this Resolution, shall be governed by the operational arrangements of such Central Securities Depository.

(B) With respect to Bonds registered in the registry books kept by the Trustee in the name of a Central Securities Depository, THDA and the Trustee shall have no responsibility or obligation to any participant or to any beneficial owner. Without limiting the immediately preceding sentence, THDA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Central Securities Depository or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant, any beneficial owner or any other person other than the Central Securities Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant, any beneficial owner or any other person, other than the Central Securities Depository, of any amount with respect to the principal of or premium, if any or interest on the Bonds. THDA and the Trustee may treat as and deem the Central Securities Depository to be the absolute owner of each Bond, for the purpose of payment of the principal of and premium and interest on such Bond for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Central Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge THDA’s obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than the Central Securities Depository shall receive an authenticated Bond evidencing the obligation of THDA to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by the Central Securities Depository to the Trustee of written notice to the effect that the Central Securities Depository has determined to substitute a new nominee, and subject to the provisions herein with respect to consents, the words “Central Securities Depository” in this Resolution shall refer to such new nominee of the Central Securities Depository.

(C) Upon receipt by THDA and the Trustee of written notice from the Central Securities Depository to the effect that the Central Securities Depository is unable or unwilling to discharge its responsibilities and no substitute the Central Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of THDA kept by the Trustee in the name of the Central Securities Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(D) In the event THDA determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates and subject to the operational arrangements of such Central Securities Depository, THDA may notify the Central Securities Depository and the Trustee, whereupon the Central Securities Depository will notify the participants, of the availability through the Central Securities Depository of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the Central Securities Depository and any other Bondowners in appropriate amounts, and whenever the Central Securities Depository requests THDA and the Trustee to do so, the Trustee and THDA will cooperate with the Central Securities Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bond to any Central Securities Depository participant having Bonds credited to its Central Securities Depository account or (ii) to arrange for another Central Securities Depository to maintain custody of certificates evidencing the Bonds.

(E) In connection with any notice of other communication to be provided to Bondholders pursuant to this Resolution by THDA or the Trustee with respect to any consent or other action to be taken by Bondholders, THDA or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Central Securities Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(F) Any transfer of a Bond affected in accordance with this Section 3.7 shall be subject to applicable laws of the State.

Section 3.8. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, THDA shall execute and the Trustee shall authenticate a new Bond of like interest rate, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and substitution for a Bond which have been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to THDA and the Trustee that such Bond have been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing THDA and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as THDA and the Trustee may prescribe and pay such expenses as THDA and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to THDA.

Section 3.9. Preparation of Definitive Bonds; Temporary Bonds.

(A) Definitive Bonds shall be typed, lithographed or printed on steel engraved borders; provided, that Bonds which are held by a Central Securities Depository shall be in form acceptable to such Central Securities Depository. Until definitive Bonds are prepared THDA may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations of $5,000 or such other denomination as may be authorized for such Bonds or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, THDA at its own expense shall prepare and execute and, without charge to the holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.10. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with

all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with THDA and the other executed Certificate shall be retained by the Trustee. Notwithstanding the foregoing, Bonds purchased by THDA shall not be cancelled to the extent that upon such purchase THDA shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond shall be purchased but not cancelled and (ii) in the event the interest on such Bonds is excludable from gross income for purposes of federal income taxation, a Bond Counsel's Opinion to the affect that the failure to cancel such Bond will not, in and of itself, adversely affect such excludability.

Section 3.11. Execution and Authentication.

(A) After their authorization by a Supplemental Resolution, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of THDA by the manual or facsimile signature of the Chairman, Vice Chairman or Executive Director of THDA and the corporate seal of THDA (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bonds of a Series may be signed and sealed on behalf of THDA by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by THDA, although the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Bonds, executed manually by the Trustee. No Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of THDA shall be conclusive evidence that the Bond so authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. The proceeds of sale of any Series of Bonds, other than the proceeds of Refunding Bonds, shall, as soon as practicable upon the delivery thereof by the Trustee pursuant to Section 2.6 be applied as follows:

(1) the amount, if any, necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Bond Reserve Fund, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Series; and

(2) the balance remaining after such deposit has been made shall be applied as specified in the Supplemental Resolution or as provided in a Certificate of an Authorized Officer.

Section 4.2. Application of Amounts in the Loan Fund. No amount in the Loan Fund shall be expended or applied for the purpose of financing Program Loans except upon compliance with the provisions of subsection 5.2(C). In addition, no Program Loan shall be financed unless such Program Loan (i) complies in all respects with the Act in effect on the date of financing and (ii) complies with any additional program covenants or requirements contained in the related Supplemental Resolution.

Section 4.3. Application of Proceeds of Refunding Bonds. The proceeds of the Refunding Bonds of a Series shall be deposited in the Redemption Account or the Debt Service and Expense Account as provided in the Supplemental Resolution authorizing such Bonds.

Section 4.4. Deposits. Except as provided in Sections 2.7 and 12.1 and subject to the right of THDA to direct the deposit of funds, whenever such amounts are not invested in Investment Securities, the Trustee shall, if permitted by law, deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of this Resolution in interest-bearing time deposits or certificates of deposit, or may enter into repurchase agreements or make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor. Each such interest-bearing time deposit, repurchase agreement or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed by THDA to be expended and, except to the extent that any such deposits shall be insured by the United States of America or the Federal Deposit Insurance Corporation, or its successor, on terms which in the judgment of THDA (as expressed in written instructions to the Trustee) provide reasonable liquidity, all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar banking arrangement shall be either continuously and fully secured under the laws of the State as determined by Board of Directors of THDA by Investment Securities (or other obligations rated in either of the two highest rating categories by a nationally recognized rating service) having a market value equal at all times to the amount of the interest-bearing time deposit, repurchase agreement, certificate of deposit or other similar banking arrangement. Notwithstanding the foregoing, repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with and recognized as primary dealers by a Federal Reserve Bank and may be entered into with any other person if (i) all amounts payable thereunder, are fully and continuously secured by Investment Securities of the type described in clauses (1) through (6) of the definition thereof in Section 1.2, (ii) the Trustee shall receive confirmation that such securities are being held for the benefit (and subject to the direction) of the Trustee by a national bank or member bank of the Federal Reserve System other than the obligor under such arrangement and (iii) the market value of the Investment Securities being held shall be maintained at a level sufficient to maintain the then current rating on the Bonds by each Rating Agency.

Section 4.5. Investment of Certain Funds.

(A) Subject to the right of THDA to direct the investment or deposit of funds hereunder in accordance with this Section, moneys in any Fund shall be continuously invested and reinvested or deposited and redeposited in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing current return (with proper preservation of principal) and minimizing the instances of uninvested funds. THDA shall consult with the Trustee from time to time as to the investment of amounts in the Funds established or confirmed by this Resolution. THDA may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in any Fund in Investment Securities in accordance with this Section and toward the objective that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended.

(B) Investment Securities purchased as an investment of moneys in any Fund held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such Fund but, except as may be otherwise provided for amounts deposited in the Redemption Fund in connection with the issuance of Refunding Bonds, the income or interest earned and gains realized in excess of losses suffered by a Fund due to the investment thereof shall be deposited as Non-Mortgage Receipts in the Non-Mortgage Receipts Account or shall be credited as Non-Mortgage Receipts to the Non-Mortgage Receipts Account from time to time and reinvested.

(C) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to this Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for which such investment was made or whenever, in the discretion of THDA, any such sale or presentment is necessary in compliance with Section 7.9. The Trustee shall advise THDA in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund in its custody under the provisions of this Resolution as of the end of the preceding month.

Section 4.6. Valuation and Sale of Investments.

(A) In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement, Investment Securities shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a

premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made as soon as practicable prior to each Interest Payment Date and at any other time required hereunder, and on any particular date shall not include the amount of interest then earned or accrued to such date on any investment.

(B) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. An Investment Security may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another.

ARTICLE V

FUNDS

Section 5.1. Establishment of Funds.

(A) THDA hereby establishes and creates the following special trust funds:

(1) Loan Fund;

(2) Revenue Fund; and

(3) Bond Reserve Fund.

(B) All such Funds shall be held and maintained by the Trustee and shall be identified by THDA and the Trustee according to the designations herein provided in such manner as to distinguish such Funds from the Funds established by THDA for any other of its obligations. All moneys or securities held by the Trustee pursuant to this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolution and the Act.

(C) This Resolution contemplates the establishment of Subaccounts within the Funds created pursuant to this Resolution. In addition to the Subaccounts established hereunder, the Trustee may from time to time, establish, close and reestablish such additional Funds, Accounts or Subaccounts as may be requested by THDA for convenience of administration of the Program and as shall not be inconsistent with the provisions of this Resolution. Notwithstanding anything in this Resolution to the contrary, including Section 2.2 hereof, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, THDA may cause the Trustee to establish a Subaccount into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit hereunder and such Supplemental Resolution may provide that initial proceeds of such Bonds on deposit therein are pledged solely to certain of the Bonds of such Series.

Section 5.2. Loan Fund.

(A) There shall be deposited from time to time in the Loan Fund any amount required to be deposited therein pursuant to this Resolution and any other amounts determined to be deposited therein from time to time.

(B) Amounts in the Loan Fund shall be expended only (i) to finance Program Loans, in accordance with Section 4.2; (ii) to pay Costs of Issuance; (iii) to make deposits in the Debt Service and Expense Account, representative of capitalized interest, in the manner provided in subsection (D) of this Section; (iv) to redeem Bonds in accordance with subsection (E) of this Section; and (v) to provide amounts for deposit in the Debt Service and Expense Account in accordance with subsection (F) of this Section. All Program Loans financed by application of amounts in the Loan Fund shall be credited to the Loan Fund.

(C) THDA shall maintain accurate records in the office of THDA describing for each Program Loan the amounts applied to the financing of such Program Loan and the persons and dates related to such payments. Upon the direction by THDA to apply amounts on deposit to the financing of Program Loans an Authorized Officer shall certify that, as to the Program Loans expected to be financed (i) the terms of such Program Loans will conform to the description of the Program Loans to be financed from such amount as set forth in the most recent Projected Cash Flow Statement delivered to the Trustee and (ii) such Program Loans will comply with the provisions of Section 4.2. The

Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Fund at any time for the purpose of making payments pursuant to this Section only upon receipt of:

(1) a written requisition setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include THDA) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from the Loan Fund pursuant to such requisition is a proper charge thereon.

(D) At least one day prior to each Interest Payment Date THDA shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amount necessary, in the opinion of such Authorized Officer, to pay interest on the Bonds of each Series from the amount on deposit in the Loan Fund, after giving effect to the actual and expected application of amounts therein to the financing of Program Loans as of the date of such Certificate. Upon receipt of such Certificate the Trustee shall transfer the amount so stated for each Series to the Debt Service and Expense Account, but only to the extent that the cumulative amount of such transfers does not exceed for each Series the amount stated as necessary to be reserved in the Loan Fund for the purpose of paying capitalized interest pursuant to the Projected Cash Flow Statement delivered in connection with the delivery of such Series pursuant to subsection 7.11 plus the amount, if any, certified by an Authorized Officer as available for such purpose from amounts originally reserved in the Loan Fund for the payment of capitalized interest and Costs of Issuance with respect to other Series in excess of the amounts actually required therefor.

(E) At any time THDA may direct the Trustee in writing to transfer amounts in the Loan Fund to the Redemption Account or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the provisions of Article VI.

(F) THDA may at any time direct the Trustee to transfer amounts in the Loan Fund to the Revenue Fund, but only if there is delivered to the Trustee a Projected Cash Flow Statement showing the amount to be so transferred and that, after giving effect to such transfer, such Statement complies with subsection 7.11(C).

Section 5.3. Revenue Fund.

(A) The Trustee shall establish and create within the Revenue Fund three Accounts into which amounts shall be deposited and from which amounts shall be transferred as provided in this Section. These Accounts shall be designated as the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account. THDA shall cause all Revenues to be deposited promptly with the Trustee (at least monthly) and such amounts shall be deposited in the Debt Service and Expense Account. There shall also be deposited in the Debt Service and Expense Account any other amounts required to be deposited therein pursuant to this Resolution.

(B) The Trustee shall pay out of the Debt Service and Expense Account to the respective Paying Agents for any of the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments. Upon receipt of appropriate requisitions and certificates reflecting such payment in the form prescribed by subsection 5.2(C), amounts on deposit in the Debt Service and Expense Account may be applied to the payment of accrued interest in connection with the financing of any Program Loan.

(C) Prior to the forty-fifth day preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by an Authorized Officer of THDA shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of said Sinking Fund Payment plus unpaid interest

accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(2) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (K) of this Section (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 6.3, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service and Expense Account to the appropriate Paying Agents on the date preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) Upon delivery by THDA to the Trustee of a Certificate of an Authorized Officer which states the amount then on deposit in the Debt Service and Expense Account, the Trustee shall promptly transfer from the Debt Service and Expense Account an amount equal to the amount stated in such Certificate as follows:

FIRST: From amounts representing principal payments on Program Loans, the amount, if any, as shall be required by the Code to be applied to the redemption of Bonds shall be transferred to the Redemption Account.

SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount, if any, as shall be required to make any arbitrage rebate payment to the United States of America as required by the Code shall be transferred to THDA to be applied to such payment.

THIRD: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.

FOURTH: From the amount, if any, so available after the transfers provided above have been made, the amount needed to pay reasonable and necessary Program Expenses which are due and owing shall be transferred to THDA, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

FIFTH: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, to be transferred to the Loan Fund shall be so transferred, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

SIXTH: From the amount, if any, so available after any transfers provided for above have been made, the remaining amount may be transferred to the Redemption Account upon the direction of THDA and thereafter applied in accordance with subsection (I) of this Section. If the amount of Program Loans (valued at par) and

Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA, to be applied to any purpose of THDA consistent with Section 7.9, free and clear of the lien of any pledge of this Resolution, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

(G) Notwithstanding any other provision of this Section, the Trustee may at any time, upon the written direction of an Authorized Officer, (i) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund, or the Redemption Account or (ii) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer or payment shall be made, however, unless such withdrawal is in an amount less than or equal to the amount of such withdrawal as set forth in the most recent Projected Cash Flow Statement.

(H) Notwithstanding the provisions of subsection (A) of this Section, no payments shall be required to be made into the Debt Service and Expense Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the Bonds have been defeased in accordance with Section 12.1 hereof; any Revenues thereafter received by THDA may be applied to any corporate purpose of THDA free and clear of the lien of the pledge of this Resolution.

(I) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Resolution and any other amounts available therefor and determined by THDA to be deposited therein. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, all amounts deposited in the Redemption Account shall be applied to the payment, purchase or redemption of Bonds, at the earliest practicable Redemption Date. Subject to the provisions of this Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in this Section and Article VI. Any earnings derived from the investment of amounts deposited in the Redemption Account pursuant to Section 2.7 shall, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in said Section, be deposited in the Redemption Account. Amounts on deposit in the Redemption Account for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Supplemental Resolution authorizing the issuance of Refunding Bonds, including amounts derived from the investment thereof as provided in this subsection, shall be segregated and shall be identified as such on the records of the Trustee.

(J) Except as may be otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit therein. THDA may, however, by delivery to the Trustee of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of THDA. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as THDA shall from time to time direct or, in the absence of such direction, as the Trustee may determine in its sole discretion and as may be possible with the amounts then available therefor. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Resolution on any date or dates within thirteen months after such purchase, in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price, and deposit the same in the Debt Service and Expense Account within the Revenue Fund.

(K) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward each such Sinking Fund Payment thereafter to become due an amount as nearly as may be practicable in multiples of $5,000 (or such other denomination as shall be authorized for the related Series of Bonds) bearing the same ratio to such Sinking Fund Payment, as the total principal amount of such Bond so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(L) Except as otherwise specifically provided herein, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price or at any other price and any arm's length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(M) All Non-Mortgage Receipts shall be deposited, promptly upon receipt by the Trustee, in the Non-Mortgage Receipts Account. The Trustee shall maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund and the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund (referred to in this Section as the "average daily balance"). If so directed by THDA, the Trustee shall maintain such for each Series of Bonds separately.

(N) Not later than each Interest Payment Date, the Trustee shall transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of the transfers provided by this Subsection, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

(O) Any amount remaining in the Non-Mortgage Receipts Account after the transfer to the Debt Service and Expense Account described in paragraph (N) above shall be transferred, at the direction of an Authorized Officer, to the Loan Fund or the Redemption Account.

Section 5.4. Bond Reserve Fund.

(A) If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Fund and the Redemption Fund, if applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Bond Reserve Fund to the extent necessary to make good the deficiency.

(B) If, concurrently with any allocation from the Revenue Fund pursuant to subsection (B) or (F) or (G) of Section 5.3, the amount on deposit in the Bond Reserve Fund, shall be in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed in writing by an Authorized Officer of THDA, transfer the amount of such excess to the Redemption Account.

(C) Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Fund shall be transferred to the Bond Reserve Fund. Prior to said transfer all investments held in the Revenue Fund shall be liquidated and any Bonds constituting a part of such Fund shall be deemed paid and cancelled.

(D) It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Resolution, in the Bonds and in the respective Supplemental Resolutions authorizing the issuance of such Bonds and authorizing the issuance of Refunding Bonds.

Section 6.2. Redemption at the Election or Direction of THDA; Conditional Notice. In the case of any redemption of Bonds otherwise than as provided in Section 6.3, THDA shall give written notice to the Trustee of its election or direction so to redeem, on the Redemption Date, the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by THDA in its sole discretion, subject to any limitations with respect thereto as may be provided in a Supplemental Resolution or otherwise contained in or permitted by this Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least forty-five days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 6.5, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise THDA shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed; provided, however, that any election or direction to redeem Bonds may be conditional, and THDA may elect or direct that any notice of redemption given pursuant to Section 6.5 shall be made conditional, upon the deposit with the Paying Agent of such sufficient moneys or other conditions. THDA shall promptly notify the Trustee in writing of all such payments made by THDA to a Paying Agent.

Section 6.3. Redemption Otherwise Than at THDA's Election or Direction. Whenever by the terms of this Resolution, the Trustee is required to redeem Bonds otherwise than at the election or direction of THDA, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article V, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, interest rate and maturity, the Trustee shall assign to each such Outstanding fully registered Bond a distinctive number for each $5,000 of the principal amount thereof so as to distinguish each such $5,000 from each other portion of the Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds bearing the numbers so selected; but only so much of the principal amount of each such fully registered Bond of a denomination or more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding. In the case of Appreciation Bonds, in the event that the Compounded Amount of any such Bond shall be less than $5,000, the Trustee shall assign a number to such Bond as if the Bond had a principal amount equal to $5,000 for purposes of this Section. If a Supplemental Resolution provides for a minimum denomination larger (or smaller) than $5,000, all references in this Section to $5,000 shall be deemed to refer to such larger (or smaller) minimum denomination. Notwithstanding the foregoing, Bonds that are held by a Central Securities Depository (or beneficial ownership interests in Bonds registered in the name of a Central Securities Depository or its nominee) shall be selected for redemption in accordance with the operational arrangements of such Central Securities Depository.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Resolution pursuant to Section 6.3, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth in summary terms, the conditions precedent to such redemption and

that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository as provided in Section 3.7 hereof) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

Section 6.6. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 6.5 and assuming that all conditions precedent have been satisfied, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of portions of Bonds, a written instrument of exchange duly executed by the registered owner or his duly authorized attorney. If there shall be drawn for redemption less than the entire principal amount of a Bond, THDA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable.

If any notice of redemption pursuant to Section 6.5 is given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient moneys to pay the Redemption Price therefor on the Redemption Date and if such moneys sufficient to pay the Redemption Price and accrued interest have not been made available by THDA to the Trustee or the appropriate Paying Agent or Paying Agents on the Redemption Date, such notice of redemption shall be cancelled and be without effect and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding. The Trustee shall, within two business days after the proposed Redemption Date, give notice, in the manner in which the notice of redemption was given, that such conditions were not satisfied.

ARTICLE VII

PARTICULAR COVENANTS

THDA covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 7.1. Performance. THDA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of THDA under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

Section 7.2. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of THDA, shall be within every debt and other limit prescribed by law.

Section 7.3. Power to Issue Bonds and Pledge Revenues, Funds and Other Property. THDA is duly authorized under all applicable laws to authorize and issue the Bonds and to enter into, execute and deliver this Resolution and to pledge the assets and revenues purported to be pledged hereby in the manner and to the extent herein provided. The assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate or other action on the part of THDA to that end has been and will be duly and validly taken. The Bonds and the provisions

of this Resolution are and will be the valid and legally enforceable obligations of THDA in accordance with their terms and the terms of this Resolution. THDA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under this Resolution, and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 7.4. Payment of Bonds. THDA shall duly and punctually pay or cause to be paid, as herein provided, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 7.5. Extension of Payment of Bonds. THDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon and in the event that the maturity of any of the Bonds or the time for payment of interest thereon shall be extended, such Bonds, shall not be entitled to the benefit of this Resolution or to any payment out of the Funds established pursuant to this Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extension. Nothing herein shall be deemed to limit the right of THDA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.6. Offices for Servicing Bonds. THDA shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon THDA in respect of the Bonds or of this Resolution may be served. The Trustee shall maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon THDA. THDA may appoint one or more additional or other Paying Agents as its respective agents to maintain such offices or agencies for the payment of the Bonds of any particular Series and maturity.

Section 7.7. Further Assurance. At any and all times THDA shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which THDA may become bound to pledge or assign.

Section 7.8. Waiver of Laws. THDA shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law not or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by THDA.

Section 7.9. Tax Covenants.

(A) Subject to subsection (C) of this Section, THDA shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(B) THDA shall not permit at any time or times any of the proceeds of the Bonds or any other funds of THDA to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code.

(C) Notwithstanding the foregoing, THDA hereby reserves right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this Section shall not apply to such Bonds.

Section 7.10. Accounts and Reports.

(A) THDA shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Program Loans and all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) THDA shall annually, within 210 days after the close of each Fiscal Year, file with the Trustee a copy of the financial statements of THDA for such Fiscal Year, setting forth in reasonable detail:

(1) the balance sheet for THDA and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year;

(2) a statement of THDA's revenues and expenses in accordance with the categories or classifications established by THDA for its operating and program purposes and showing the revenues and expenses of the Program during such Fiscal Year; and

(3) a statement of changes in financial position, including changes in financial position of the Program, as of the end of such Fiscal Year.

The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(C) If at any time during any Fiscal Year there shall have occurred an Event of Default, then THDA shall file with the Trustee, within forty-five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

(D) Any such financial statements may be presented on a consolidated or combined basis with other reports of THDA, but only to the extent that such basis of reporting shall be consistent with that required under subsection (B) of this Section.

(E) A copy of each annual Projected Cash Flow Statement prepared in accordance with Section 7.11 hereof and any special report filed pursuant to subsection (C) of this Section and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Section 7.11. Periodic Delivery of Projected Cash Flow Statement.

(A) THDA shall file a Projected Cash Flow Statement with the Trustee (i) whenever Bonds are issued pursuant to Section 2.6, (ii) on or within thirty (30) days after THDA's filing of its financial statements as provided in Section 7.10(B), if a Projected Cash Flow Statement has not been filed within the prior year and (iii) at such other times as required by this Resolution or as may be required by a Supplemental Resolution.

(B) A Projected Cash Flow Statement shall set forth projected Revenues, Program Expenses and interest payments and Principal Installments for each year during which Bonds will be Outstanding based upon the reasonable expectations of THDA at the time such Certificate is filed. A Projected Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon THDA's reasonable expectations at the time such Projected Cash Flow Statement is filed. The listing of Revenues from Program Loans and Investment Securities shall be supported by a schedule identifying the Program Loans and Investment Securities by maturity and interest rate, including Program Loans expected to be financed with amounts in the Loan Fund.

(C) A Projected Cash Flow Statement shall be considered to comply with this subsection if such Statement shows that (i) the estimated Revenues for each annual period in which Bonds will be Outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to this Resolution), will be sufficient for the payment of the estimated Debt Service and Program Expenses for such annual period, and (ii) the total assets (consisting of cash and investments, valued as provided herein, and the principal balance of Program Loans) held hereunder equal to or exceed the total liabilities of all Bonds Outstanding hereunder for each such annual period.

Section 7.12. The Program.

(A) THDA shall from time to time with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of this Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program,

to finance Program Loans pursuant to the Act and this Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Program Loans and, if not inconsistent with sound banking practices and principles, consent to modification of repayment terms of the Program Loans), sufficient to pay the expenses of the Program and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to protect its rights with respect to or to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans including the collection, custody and prompt application of all escrow payments required by the terms of a Program Loan for the purposes for which they were made.

(B) Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, THDA shall commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof and may otherwise take possession of or acquire such premises.

(C) THDA may at any time sell, assign or otherwise dispose of a Program Loan (or the premises to which such Program Loan related) or a Program Security:

(1) in the case of a Program Loan, in the event that payment under such Program Loan is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds the debt service on which is equivalent to the payments on the Program Loan; or

(3) a Projected Cash Flow Statement shall be filed with the Trustee which gives effect to the proposed sale thereof and complies with the conditions set forth in subsection 7.11(C).

Section 7.13. Personnel and Servicing of Programs.

(A) THDA shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Act and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by THDA shall be qualified for their respective positions.

(B) THDA may pay to any agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for THDA.

(C) THDA shall duly and properly service all Program Loans and enforce the payment and collection of all payments of principal and interest and all Escrow Payments or shall cause such servicing and/or enforcing to be done by a servicer evidencing, in the judgment of THDA, the capability and experience necessary to adequately service Program Loans. Each such servicer shall enter into a servicing agreement providing that:

(1) all amounts received by such servicer, except as compensation for its services, shall be promptly transferred to the Trustee subject to and in accordance with the provisions of this Resolution;

(2) such servicer shall at all times remain qualified to act as such pursuant to such standards as THDA shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Program Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in THDA's sole discretion, and shall maintain individual files for each Program Loan serviced pursuant to the servicing agreement and provide regular reports to THDA as to collections and delinquencies with respect to all Program Loans serviced by such servicer.

Section 7.14. Issuance of Additional Obligations.

(A) THDA shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which, except as provided in Section 5.1(C) hereof, will be secured by a superior or equal charge and lien on the revenues and assets pledged hereunder, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds under this Resolution on a parity with the Bonds of such initial Series of Bonds and secured, except as provided in Section 5.1(C) hereof, by an equal charge and lien on the revenues and assets pledged hereunder and payable equally therefrom for one or more of the purposes set forth in Section 2.4.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under this Resolution unless an Authorized Officer shall have certified that:

(1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) upon the issuance and delivery of such additional Bonds, the amount credited to the Bond Reserve Fund is at least equal to the Bond Reserve Fund Requirement, as valued not more than five (5) Business Days prior to the date of issuance of such additional Bonds;

(3) the provisions of Section 2.6 or, in the case of Refunding Bonds, Section 2.7 shall have been complied with as of the date of delivery of such Series;

(4) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, THDA shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution; and

(5) upon the issuance of such Series and application of the proceeds thereof in accordance with Article IV hereof, the amount of Program Loans and Investment Securities credited to all Funds and Accounts hereunder, other than the Redemption Account, when valued in accordance with this Resolution, will be equal to the principal amount of Outstanding Bonds, including the Bonds thereupon being issued.

(C) THDA hereby expressly reserves the right to enter into or adopt one or more additional indentures or resolutions for its purposes, including the purposes of the Program, and reserves the right to issue other obligations for such purposes.

Section 7.15. Bond Reserve Fund.

(A) THDA shall at all times maintain the Bond Reserve Fund created and established by Section 5.1 and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of THDA or the Trustee or the Paying Agents under the terms and provisions of Article V hereof. It is hereby expressly provided that the Bond Reserve Fund shall not constitute a “debt service reserve fund” within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

(B) Notwithstanding any other provisions of this Resolution the Trustee shall not permit amounts to be withdrawn from the Bond Reserve Fund other than pursuant to subsection 5.4(A) unless there shall have been filed with the Trustee a Certificate of an Authorized Officer stating that such amounts are not required to be retained therein to provide funds for the payment of Principal Installments or interest on Outstanding Bonds when due.

Section 7.16. Assignment of Program Loans Upon Default. Upon the happening of an Event of Default specified in Section 10.2 and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA shall deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee. If, however, the Trustee and the Bondholders are restored to their positions in accordance with Section 10.4, the Trustee shall assign such Program Loans back to THDA.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.1. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of THDA may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of THDA in this Resolution other covenants and agreements to be observed by THDA which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by THDA which are not contrary to or inconsistent with this Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon THDA by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of THDA contained in this Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues and Non-Mortgage Receipts or of any other revenues or assets;

(6) to accommodate the conversion of the Program to the purchase of Program Securities in addition to or in lieu of Program Loans;

(7) to modify any of the provisions of this Resolution in any respect whatever, but only if either (i) such modification shall not materially adversely affect the interest of the Bondholders (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondholders) or (ii) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding; or and, with respect to (ii) above, such modification is disclosed in any offering documents of THDA for Bonds issued subsequent to the date of adoption of the Supplemental Resolution; or

(8) to authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued.

Section 8.2. Supplemental Resolutions Effective Upon Consent of Trustee.

(A) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and THDA of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee in connection with the Program Loans.

(B) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 8.3. Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX.

Section 8.4. General Provisions.

(A) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of THDA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.7 or the right or obligation of THDA to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Resolution.

(B) Any Supplemental Resolution permitted or authorized by Section 8.1 or 8.2 may be adopted by THDA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon THDA.

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.1, 8.2 or 8.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(D) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

Section 9.1. Mailing and Publication of Notice of Amendment. Any provision in this Article for the mailing of a notice to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of THDA and (ii) to the Trustee.

Section 9.2. Powers of Amendment. Any modification of or amendment to this Resolution and of the rights and obligations of THDA and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3, with the written consent given as provided in Section 9.3, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its

written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on THDA and all holders of Bonds.

Section 9.3. Consent of Bondholders.

(A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 or 8.2 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed, by first class mail postage prepaid, by THDA to the holders of any registered Bond. Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 9.2 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by THDA in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon THDA and enforceable in accordance with its terms.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14. A Certificate by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.14. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with THDA and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by THDA on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by THDA by mailing such notice to the Bondholders, first class mail, postage prepaid, (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). THDA shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon THDA, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period, except that any Fiduciary and THDA during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 9.4. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of THDA and of the holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by THDA of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of THDA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and THDA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, THDA shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by THDA and the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If THDA or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and THDA shall be prepared, executed, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity, then Outstanding, upon surrender of such Bonds. All Bonds surrendered in such an exchange shall be cancelled by the Trustee.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is hereby declared an “Event of Default”:

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise shall not be made when and as the same shall become due; or

(2) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or

(3) THDA shall fail or refuse to comply with the provisions of this Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Section 10.2. Remedies.

(A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1 the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to acceleration of the Bonds pursuant to clause (5) below) shall proceed, in its own name, subject to the provisions of Section 11.3, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues and Non-Mortgage Receipts adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from THDA for principal, Redemption Price, interest or otherwise, under any provisions of this Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against THDA for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Non-Mortgage Receipts and of the assets of THDA relating to the Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default.

(A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, subject to Section 10.11, hereof as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of

principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to THDA, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case THDA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction

Section 10.6. Limitation on Rights of Bondholders.

(A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or by law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section, or any other provision of this Resolution, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party

litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Resolution.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Resolution to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal of or Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee and, (ii) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee.

(A) The Bond Finance Committee of THDA has been delegated the responsibility for choosing the initial Trustee pursuant to this Resolution. The Trustee shall signify its acceptance of the duties and obligations of the Trustee by executing a written acceptance of its obligations under this Resolution.

(B) The Trustee is hereby vested with all of the rights, powers and duties of a Trustee permitted to be appointed by Bondholders pursuant to the Act and the right of Bondholders to appoint a trustee pursuant to the Act is hereby abrogated as permitted by the Act.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents.

(A) THDA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent.

(B) Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by a written instrument of acceptance executed and delivered to THDA and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of THDA for the payment of the Bonds.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of THDA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to THDA. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to THDA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to THDA, the holders of any of the Bonds or any other person for any act or omission done or omitted to be done by such Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Resolution or for any act or omission done or omitted in good faith and without willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by THDA to any Fiduciary shall be sufficiently executed if executed in the name of THDA by an Authorized Officer.

Section 11.5. Compensation. THDA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees (whether or not litigation ensued and, if so, fees on trial and any appeal therefrom) and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under this Resolution. THDA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds issued hereunder with the same rights it would have if it were not a Fiduciary. Any Fiduciary may permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may participate as a lender under the Program and may sell Program Loans to THDA. Except as otherwise provided by THDA, no Fiduciary may act as an underwriter with respect to the issuance of any Bonds.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to THDA, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 11.8. Removal of Trustee. The Trustee shall be removed by THDA if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and THDA and signed by the holders of a majority

in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of THDA by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, THDA covenants and agrees that it will thereupon appoint a successor Trustee.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to THDA written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least $100,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to THDA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of THDA, or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from THDA be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by THDA. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Resolution shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Resolution as Trustee.

Section 11.11. Merger, Consolidation or Sale. Any company into which any Fiduciary or its trust department may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of authentication of the Trustee shall have.

Section 11.13. Resignation or Removal of the Paying Agent and Appointment of Successor.

(A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to THDA and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent, and the Trustee and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by THDA and (subject to the requirements of Section 7.6) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least $25,000,000, and willing and able to accept the office of Paying Agent, on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds.

(A) Any request, consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable:

(1) the fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) the amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a Certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depositary or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depositary the Bonds described in such Certificate. Continued ownership after the date stated in such Certificate may be proved by the presentation of such Certificate if the Certificate contains a statement by such officer that the depositary held the Bonds therein referred to on the date of the Certificate and that they will not be surrendered without the surrender of the Certificate to the depositary, except with the consent of the Trustee, and a Certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by THDA or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of this Resolution or any Supplemental Resolution (or microfilm, microcard or similar photographic or scanned reproduction thereof) shall be retained in its possession and shall be subject at all reasonable times to the inspection of THDA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

ARTICLE XII

DEFEASANCE
MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance.

(A) If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of THDA, execute and deliver to THDA all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to THDA all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If THDA shall pay or cause to be paid, or there shall otherwise be paid, to the holders of any Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of THDA to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) Bonds and interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) shall, at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, THDA shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on such Bonds; but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this Section, Investment Securities mean and include only direct and general obligations of the State or obligations guaranteed by the State or such obligations as are described in clause (1) of the definition of Investment Securities herein.

(C) If, through the deposit of moneys by THDA or otherwise, the Fiduciaries shall hold, pursuant to this Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which THDA shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of THDA all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or the redemption of such Outstanding Bonds. If all or a portion of the moneys made available to pay the principal of and interest on Outstanding Bonds at maturity or prior redemption shall have been derived from the issuance of refunding obligations of THDA, upon the written direction of THDA, the Fiduciaries shall reallocate or transfer all moneys, securities, Program Loans or Program Securities as shall be required by operation of the transferred proceeds provisions of the Code.

(D) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Bonds which remain unclaimed for five years (or such other period of time required by abandoned property laws of the State) after the date when all of such principal or interest, as the case may be, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years (or such other period of time required by abandoned property laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, to the extent required by State law, be paid by the Fiduciary to the State Treasurer or other appropriate official free from trust, and otherwise at the written request of THDA, be repaid by the Fiduciary to THDA, as its absolute property and free from trust, and, in either such case, the Fiduciary shall thereupon be released and discharged.

Section 12.2. Notice by Electronic Means. Any notice, direction or other communication given hereunder from THDA to the Rating Agencies or any Fiduciary or from any Fiduciary to THDA or the Rating Agencies, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation or delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Time, and otherwise on the next business day.

Section 12.3. Notices to Rating Agencies. To the extent not otherwise provided herein, the Trustee shall provide written notice to the Rating Agencies of any of the following occurrences: (i) the defeasance or discharge of this Resolution within the meaning of Section 12.1 hereof, (ii) the downgrade of the provider of any Investment Security described in paragraph (3) or (7) of the definition thereof below the rating requirement included in such paragraphs and the substitution of any provider thereof; (iii) the resignation or removal of the Trustee, (iv) the appointment of a successor Trustee, and (v) any amendment of this Resolution or any Supplemental Resolution.

Section 12.4. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of THDA contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of THDA and not of any officer or employee of THDA in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any member, officer or employee of THDA or any natural person executing the Bonds.

Section 12.5. Security Instrument. A certified copy of this Resolution, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Tennessee.

Section 12.6. Effective Date. This Resolution shall take effect immediately.

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Outstanding as of September 30, 2013 (unaudited)	Original Net Interest Cost[3]
2009-A	December 23, 2009	$100,000,000	--	$ 78,830,000	3.96%
2009-B[1]	December 23, 2009	300,000,000	--	0	(2)
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	125,595,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	87,220,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	84,210,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	93,685,000	3.01
2011-C/2009-B-5	November 3, 2011	65,290,000	34,710,000	93,820,000	3.01
TOTAL		$660,000,000	$300,000,000	$563,360,000	

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(1) Portions of such Bonds were converted and redesignated as Issue 2009-B, Subseries B-1, Issue 2009-B, Subseries B-2, Issue 2009-B, Subseries B-3, Issue 2009-B, Subseries B-4, and Issue 2009-B, Subseries B-5.

(2) Variable rate, taxable.

(3) Bond yield.

As of September 30, 2013, 5,579 mortgage loans in the approximate aggregate principal amount of $541,636,477 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds, and will be available for the general purposes of THDA only as provided in the 2009 General Resolution).

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General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,147,067,000 total original principal amount of Bonds under the 1985 General Resolution, which were outstanding as shown on the table below:

Issue of Bonds	Dated	Issued	Outstanding as of September 30, 2013 (unaudited)	Original Net Interest Cost[1]
2004-2	July 15, 2004	$100,000,000	$ 35,040,000	4.86
2004-3	January 13, 2005	100,000,000	35,540,000	4.41
2005-1	July 28, 2005	100,000,000	41,160,000	4.33
2005-2	November 17, 2005	100,000,000	39,265,000	4.61
2006-1	April 27, 2006	100,000,000	38,225,000	4.66
2006-2	July 27, 2006	100,000,000	36,520,000	4.85
2006-3	October 31, 2006	100,000,000	44,590,000	4.58
2007-1	March 13, 2007	100,000,000	48,330,000	4.49
2007-2	June 6, 2007	120,000,000	63,145,000	4.53
2007-3	August 7, 2007	150,000,000	74,085,000	4.77
2007-4	October 30, 2007	150,000,000	83,825,000	4.79
2008-1	May 29, 2008	60,000,000	30,785,000	4.93
2008-2	August 7, 2008	50,000,000	5,895,000	5.28
2008-3	September 30, 2008	90,000,000	41,600,000	5.00
2008-4	December 18, 2008	30,000,000	1,065,000	5.56
2009-1	June 11, 2009	50,000,000	34,910,000	4.39
2009-2	September 30, 2009	75,000,000	55,195,000	4.06
2010-1	October 13, 2010	120,700,000	81,845,000	3.57
2011-1	December 1, 2011	141,255,000	118,345,000	3.80
2012-1	July 19, 2012	133,110,000	122,850,000	3.26
2012-2	November 15, 2012	97,625,000	94,685,000	2.92
TOTAL		$2,067,690,000	$1,126,900,000	

(1) Bond yield.

As of September 30, 2013, 15,410 mortgage loans in the approximate aggregate principal amount of $1,157,550,458 were outstanding under the 1985 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1985 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1985 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1985 General Resolution.

Housing Bond Resolution (Mortgage Finance Program)(the "1974 General Resolution")

All bonds then outstanding under the 1974 General Resolution were refunded by the Issue 2013-1 Bonds issued under the General Resolution. Certain assets, including mortgage loans and investments, remain under the 1974 General Resolution and are available for general purposes of THDA as provided in the 1974 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX G

RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES

General

The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. No assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described below. The Issue 2013-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the “Code”). The limits vary from county to county and are periodically adjusted.

THDA’s current income limits range from $64,400 to $93,940 depending on household size and geographic location. THDA’s income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA’s acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA’s actual data which justifies a higher limit. THDA’s current maximum acquisition cost limits are either $240,000 or $275,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA’s Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf (“Originating Agents”). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a “first-come, first-serve” basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, up to 2% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and credit unions. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA’s Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a “first-come, first-serve” basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see “Mortgage Eligibility Requirements” below), (ii) yield and investment requirements (see “Requirements Related to Arbitrage” below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower’s principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower’s principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA’s acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower’s federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a “due on sale” clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a “due on sale” clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the

Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions to service THDA Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms or commercial banks. THDA may also service Program Loans. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval. THDA Servicers currently are U.S. Bank and Magna Bank.

THDA requires regular reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Single Family Programs and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

APPENDIX H

November 19, 2013

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN 37243-0900

Tennessee Housing Development Agency
Residential Finance Program Bonds
$31,300,000 Issue 2013-2A (AMT)
$90,000,000 Issue 2013-2B (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $31,300,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2013-2A (AMT) (the "Issue 2013-2A Bonds") and $90,000,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2013-2B (Non-AMT) (the "Issue 2013-2B Bonds," and, together with the Issue 2013-2A Bonds, the "Issue 2013-2 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2013-2 Bonds were authorized to be issued pursuant to the Act, the General Residential Finance Program Bond Resolution of THDA, adopted January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 23, 2013, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on October 23, 2013 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2013-2 Bonds (collectively, the "Residential Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2013-2 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2013-2 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2013-2 Bonds in order that interest on the Issue 2013-2 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2013-2 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2013-2 Bonds are valid and legally binding special, limited obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Residential Finance Program Bonds, including the Issue 2013-2 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2013-2 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2013-2 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2013 2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2013-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals and corporations, (iii) interest on the Issue 2013-2B Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (iv) interest on the Issue 2013-2B Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2013-2 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2013-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2013-2 Bonds may have to take interest on such Issue 2013-2 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2013-2 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2013-2 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2013-2 Bonds.

Very truly yours,

APPENDIX I

HISTORIC DELINQUENCIES AND FORECLOSURES

*Delinquencies and Foreclosures as of June 30, 2013**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.58%, based on a total of 2,155 Program Loans as of June 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2013

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured.........................	31	$1,457,383	1.44%	1.86%(4)
VA Guaranteed....................	0	0	0.00	1.06
Privately Insured..................	1	5,554	0.05	0.58
USDA/RD Guaranteed.........	2	149,572	0.09	(5)
Uninsured	0	0	0.00	(5)
TOTAL	34	$1,612,508(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.80%, based on a total of 2,155 Program Loans as of June 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2013

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured.........................	74	$3,160,428	3.43%	3.68%(4)
VA Guaranteed....................	1	38,722	0.05	2.56
Privately Insured..................	4	364,384	0.19	1.05
USDA/RD Guaranteed.........	3	207,001	0.14	(5)
Uninsured	0	0	0.00	(5)
TOTAL	82	$3,770,535(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented as of June 30, 2013, includes data regarding Program Loans transferred to the General Resolution in connection with prior Bond issuances and Program Loans financed with the proceeds of prior Bonds issuances under the General Resolution. The delinquency and foreclosure data does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall rate of Program Loans in foreclosure was 2.04%, based on a total of 2,155 Program Loans as of June 30, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2013, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	36	$1,841,723	1.67%	2.63%[4]
VA Guaranteed	2	163,317	0.09	1.33
Privately Insured	2	207,271	0.09	0.67
USDA/RD Guaranteed	4	281,524	0.19	(5)
Uninsured	0	0	0.00	(5)
TOTAL	44	$2,493,835[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquencies and Foreclosures as of March 31, 2013**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.52%, based on a total of 1,707 Transferred Program Loans as of March 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [2]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	22	$1,340,709	1.84%	1.60%[4]
VA Guaranteed	1	80,271	4.00	0.99
Privately Insured	1	53,336	0.61	0.54
USDA/RD Guaranteed	2	108,697	1.54	(5)
Uninsured	0	0	0.00	(5)
TOTAL	26	$1,583,013[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented for periods prior to June 30, 2013, includes data regarding Program Loans that were transferred to the General Resolution in connection with a prior Bond issuance under the General Resolution. This delinquency and foreclosure data does not include data regarding Program Loans financed with the proceeds of Issue 2013-1 Bonds and does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.98%, based on a total of 1,707 Transferred Program Loans as of March 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured.........................	77	$3,596,527	6.45%	4.08%[4]
VA Guaranteed....................	1	38,722	4.00	2.69
Privately Insured..................	3	277,883	1.83	1.25
USDA/RD Guaranteed.........	3	161,491	2.31	[5]
Uninsured	1	93,233	0.52	[5]
TOTAL	85	$4,167,856[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.29%, based on a total of 1,707 Program Loans as of March 31, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2013, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured.........................	19	$863,633	0.42%	2.61%[4]
VA Guaranteed....................	0	0	0.00	1.27
Privately Insured..................	1	87,061	0.00	0.78
USDA/RD Guaranteed.........	2	180,108	0.00	[5]
Uninsured	0	0	0.00	[5]
TOTAL	22	$1,130,803[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquencies and Foreclosures as of December 31, 2012**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.79%, based on a total of 1,757 Program Loans as of December 31, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	42	$2,078,698	3.44%	2.04%(4)
VA Guaranteed	1	80,795	3.85	1.23
Privately Insured	2	216,170	1.16	0.74
USDA/RD Guaranteed	4	291,419	2.94	(5)
Uninsured	0	0	0.00	(5)
TOTAL	49	$2,667,082(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 5.58%, based on a total of 1,757 Program Loans as of December 31, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2012

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	86	$3,909,105	7.04%	4.82%(4)
VA Guaranteed	2	95,989	7.69	2.85
Privately Insured	2	184,227	1.16	1.39
USDA/RD Guaranteed	7	472,687	5.15	(5)
Uninsured	1	93,233	0.50	(5)
TOTAL	98	$4,755,241(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented for periods prior to June 30, 2013, includes data regarding Program Loans that were transferred to the General Resolution in connection with a prior Bond issuance under the General Resolution. This delinquency and foreclosure data does not include data regarding Program Loans financed with the proceeds of Issue 2013-1 Bonds and does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall rate of Program Loans in foreclosure was 1.20%, based on a total of 1,757 Program Loans as of December 31, 2012 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2012, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	16	$805,686	0.41%	2.32%[4]
VA Guaranteed	1	174,728	0.00	1.24
Privately Insured	3	312,076	0.58	0.90
USDA/RD Guaranteed	1	45,960	0.00	[5]
Uninsured	0	0	0.00	[5]
TOTAL	21	$1,338,450[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2012.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

*Delinquencies and Foreclosures as of September 30, 2012**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.71%, based on a total of 1,805 Program Loans as of September 30, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2012, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2012

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	40	$1,839,356	3.17%	2.11%[4]
VA Guaranteed	1	57,554	3.85	1.20
Privately Insured	3	257,111	1.71	0.80
USDA/RD Guaranteed	5	329,884	3.55	[5]
Uninsured	0	0	0.00	[5]
TOTAL	49	$2,483,905[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2012.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented for periods prior to June 30, 2013, includes data regarding Program Loans that were transferred to the General Resolution in connection with a prior Bond issuance under the General Resolution. This delinquency and foreclosure data does not include data regarding Program Loans financed with the proceeds of Issue 2013-1 Bonds and does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 6.20%, based on a total of 1,805 Program Loans as of September 30, 2012 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2012 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2012, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2012

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	92	$4,357,735	7.30%	4.53%[4]
VA Guaranteed	3	321,856	11.54	2.69
Privately Insured	4	375,496	2.29	1.34
USDA/RD Guaranteed	7	513,842	4.96	(5)
Uninsured	6	169,380	2.97	(5)
TOTAL	112	$5,738,309[2]		

(1) Rounded figures.

(2) Rounded total,

(3) MBA data for Tennessee for the quarter ending September 30, 2012.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.94%, based on a total of 1,805 Program Loans as of September 30, 2012 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2012 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2012, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2012

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	16	$764,792	0.32%	2.73%[4]
VA Guaranteed	0	0	0.00	1.46
Privately Insured	1	121,854	0.00	1.08
USDA/RD Guaranteed	0	0	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	17	$886,646[2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ended September 30, 2012.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these

Tennessee Housing Development Agency

Leading Tennessee Home...
since 1973

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2014-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2014-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (ii) interest on the Issue 2014-1B Bonds and the Issue 2014-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2014-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), and (iv) interest on the Issue 2014-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2014-1 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2014-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Residential Finance Program Bonds
$25,975,000 Issue 2014-1A (AMT)
$4,525,000 Issue 2014-1B (Non-AMT)
$119,500,000 Issue 2014-1C (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2014-1A Bonds (the "Issue 2014-1A Bonds"), the Issue 2014-1B Bonds (the "Issue 2014-1B Bonds") and the Issue 2014-1C Bonds (the "Issue 2014-1C Bonds" and, together with the Issue 2014-1A Bonds and the Issue 2014-1B Bonds, the "Issue 2014-1 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F "BOOK-ENTRY-ONLY SYSTEM." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on January 1, 2015, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption prior to their stated maturities at the times, at the redemption prices and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are special limited obligations of the Tennessee Housing Development Agency ("THDA") payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about May 29, 2014.

RAYMOND JAMES

CITIGROUP **RBC CAPITAL MARKETS**

J.P. MORGAN **WELLS FARGO SECURITIES**

FTN FINANCIAL CAPITAL MARKETS

April 23, 2014

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†Interest on the Issue 2014-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$25,975,000 Issue 2014-1A (AMT)

$8,135,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2015	$1,000,000	0.32%	880461CH9	$1,255,000	0.44%	880461CJ5
2016	2,330,000	0.60	880461CK2	1,190,000	0.75	880461CL0
2017	2,360,000	1.10	880461CM8			

$17,840,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
July 1, 2039 (PAC)	$17,840,000	4.00%	880461CN6

$4,525,000 Issue 2014-1B (Non-AMT)

$4,525,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2015	$0			$1,070,000	0.35%	880461CP1
2016	0			1,155,000	0.55	880461CQ9
2017	0			2,300,000	0.90	880461CR7

$119,500,000 Issue 2014-1C (Non-AMT)†

$42,520,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2018	$2,460,000	1.20%	880461CS5	$2,485,000	1.30%	880461CT3
2019	2,510,000	1.60	880461CU0	2,540,000	1.70	880461CV8
2020	2,575,000	1.95	880461CW6	2,615,000	2.05	880461CX4
2021	2,655,000	2.30	880461CY2	2,655,000	2.40	880461CZ9
2022	2,700,000	2.65	880461DA3	2,745,000	2.70	880461DB1
2023	2,790,000	3.00	880461DC9	2,835,000	3.00	880461DD7
2024	2,775,000	3.05	880461DE5	2,725,000	3.05	880461DF2
2025	2,705,000	3.20	880461DG0	2,750,000	3.20	880461DH8

$76,980,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
July 1, 2029	$24,170,000	3.70%	880461DJ4
January 1, 2034	32,615,000	4.00	880461DK1
July 1, 2039 (PAC)	20,195,000	4.00	880461DL9

PRICE OF ISSUE 2014-1A BONDS DUE July 1, 2039 (PAC): 108.359%

PRICE OF ISSUE 2014-1C BONDS DUE July 1, 2039 (PAC): 109.252%

PRICE OF ALL REMAINING ISSUE 2014-1 BONDS: 100.00%

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(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

† Interest on the Issue 2014-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisor

OFFICIAL STATEMENT

TENNESSEE HOUSING DEVELOPMENT AGENCY

Residential Finance Program Bonds

$25,975,000 Issue 2014-1A (AMT)
$4,525,000 Issue 2014-1B (Non-AMT)
$119,500,000 Issue 2014-1C (Non-AMT)[†]

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Residential Finance Program Bonds, Issue 2014-1A in the aggregate principal amount of $25,975,000 (the "Issue 2014-1A Bonds"), Issue 2014-1B in the aggregate principal amount of $4,525,000 (the "Issue 2014-1B Bonds") and Issue 2014-1C in the aggregate principal amount of $119,500,000 (the "Issue 2014-1C Bonds" and, together with the Issue 2014-1A Bonds and the Issue 2014-1B Bonds, the "Issue 2014-1 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Residential Finance Program Bond Resolution, adopted by THDA on January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on January 30, 2014, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on April 23, 2014 (the "Issue 2014-1 Supplemental Resolution"). The General Resolution and the Issue 2014-1 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2014-1 Bonds on January 27, 2014.

The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of March 31, 2014 (unaudited), Bonds in the aggregate principal amount of $325,195,000 were outstanding under the Resolution, bonds in the aggregate principal amount of $1,009,295,000 were outstanding under THDA's Homeownership Program Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $540,660,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution"). As of March 31, 2014, no bonds were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution").

Bonds issued under the Resolution, including the Offered Bonds, are and will be special limited obligations of THDA, payable solely from the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". All bonds issued under the Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

The revenues and assets of THDA pledged under the Resolution are not pledged as security for bonds outstanding or as may be issued under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution, the 1985 General

[†]Interest on the Issue 2014-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Resolution, and the 2009 General Resolution, respectively, are not pledged as security for the Offered Bonds. See Appendix E for a description of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution.

THDA may, in the future, elect to issue bonds under the General Resolution or under the 1974 General Resolution, the 1985 General Resolution and/or the 2009 General Resolution. No assurances can be given as to whether THDA may elect to issue bonds under any one of the referenced general resolutions in the future or which of the referenced general resolutions may be selected. Any mortgage loans and investments financed with the proceeds of any new bonds issued under any of the referenced general resolutions, except for the General Resolution, and the revenues therefrom will not be pledged to the payment of Bonds under the General Resolution, including the Offered Bonds.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA expects to use the proceeds from the issuance of the Issue 2014-1A Bonds and the Issue 2014-1B Bonds to refund its Issue 2004-3 Bonds issued and outstanding under the 1985 General Resolution (the “Prior Bonds”). As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $37,200,000 will be allocated to the Offered Bonds (the “Transferred Program Loans”). See “DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS” for information about the Transferred Program Loans. In addition, other investments allocable to the Prior Bonds in the projected amount of approximately $3,399,517.69 will be transferred to accounts established for the Offered Bonds under the General Resolution (the “Transferred Investments”). It is anticipated that the Prior Bonds will be redeemed prior to maturity on July 1, 2014, at a redemption price of 100% of the principal amount thereof plus accrued interest. No assurance can be provided that the Prior Bonds will actually be refunded.

THDA expects that the proceeds of the Issue 2014-1C Bonds will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters’ Fees and other transaction costs; and (iv) make a deposit to the Bond Reserve Fund, if required. See “APPLICATION OF BOND PROCEEDS.” The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption “RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans” and in Appendix G.

As used herein, the term “Program Loans” refers to all mortgage loans financed under the General Resolution, including the Transferred Program Loans and mortgage loans to be financed with proceeds of the Offered Bonds, and the phrase “Program Loans allocable to (or allocated to) the Offered Bonds” shall include the Transferred Program Loans as well as any new Program Loans (or participations therein) financed with the proceeds of the Offered Bonds.
All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described or otherwise referred to in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2014-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. While the 2014-1 Supplemental Resolution provides that all Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Currently, THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of February 28, 2014 (unaudited), 3,841 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $331,397,101. Based on the outstanding principal balance of Program Loans as of February 28, 2014, approximately 84.57% were FHA insured, approximately 2.46% were VA guaranteed, approximately 3.81% were insured by private mortgage insurance companies, approximately 4.93% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 4.23% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "RESIDENTIAL FINANCE PROGRAM LOANS – Residential Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, and certain provisions of the Act, the General Resolution, the Issue 2014-1 Supplemental Resolution and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Issue 2014-1 Supplemental Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee. The General Resolution is attached hereto as Appendix D "2013 GENERAL RESOLUTION". **Certain capitalized terms utilized herein are defined in Appendix D hereto.**

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "BOOK-ENTRY-ONLY SYSTEM" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2014-1 Bonds and is payable on January 1, 2015, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

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Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2014-1A Bonds maturing on July 1, 2039, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2034, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-1A
PAC Term Bonds Due July 1, 2039

Year	Amount Due January 1	Amount Due July 1	
2034	$ 0	$1,910,000	
2035	1,955,000	1,950,000	
2036	1,530,000	1,480,000	
2037	1,510,000	1,530,000	
2038	1,560,000	1,595,000	
2039	1,630,000	1,190,000	(maturity)

The Issue 2014-1C Bonds maturing on July 1, 2029, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2026, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-1C
Term Bonds Due July 1, 2029

Year	Amount Due January 1	Amount Due July 1	
2026	$2,800,000	$2,855,000	
2027	2,920,000	2,985,000	
2028	3,050,000	3,120,000	
2029	3,185,000	3,255,000	(maturity)

The Issue 2014-1C Bonds maturing on January 1, 2034, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2030, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-1C
Term Bonds Due January 1, 2034

Year	Amount Due January 1		Amount Due July 1
2030	$3,300,000		$3,375,000
2031	3,455,000		3,535,000
2032	3,615,000		3,700,000
2033	3,790,000		3,875,000
2034	3,970,000	(maturity)	

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The Issue 2014-1C Bonds maturing on July 1, 2039, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2034, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-1C
PAC Term Bonds Due July 1, 2039

Year	Amount Due January 1	Amount Due July 1	
2034	$ 0	$2,170,000	
2035	2,210,000	2,205,000	
2036	1,730,000	1,680,000	
2037	1,705,000	1,735,000	
2038	1,765,000	1,805,000	
2039	1,840,000	1,350,000	(maturity)

Optional Redemption. The Issue 2014-1 Bonds maturing on and after July 1, 2024, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2024, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of PAC Bonds. The Issue 2014-1A Bonds maturing July 1, 2039 (the "Issue 2014-1A PAC Bonds") and the Issue 2014-1C Bonds maturing July 1, 2039 (the "Issue 2014-1C PAC Bonds" and, together with the Issue 2014-1A PAC Bonds, the "PAC Bonds") are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2014-1 Principal Payments (as defined below). Any Excess 2014-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing January 1, 2015; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2014-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds"), as determined by THDA, then available Excess 2014-1 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2014-1 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds shall first be applied to redeem PAC Bonds on a pro rata basis and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2014-1 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the then Outstanding PAC Bonds' proportionate amount of all Issue 2014-1 Bonds then Outstanding, and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

"Excess 2014-1 Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount applicable to each PAC Bond for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the

Issue 2014-1A PAC Bonds and Issue 2014-1C PAC Bonds, respectively, assumed to be redeemed from Excess 2014-1 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 100% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds" for a description of PSA prepayment rates.

The Planned Amortization Amounts for the Issue 2014-1A PAC Bonds and Issue 2014-1C PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $37,200,000 with an approximate weighted average maturity of 237 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 100% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedules

Date	Issue 2014-1A PAC Bonds Planned Amortization Amount	Issue 2014-1C PAC Bonds Planned Amortization Amount
January 1, 2015	$ 290,000	$ 305,000
July 1, 2015	535,000	600,000
January 1, 2016	1,200,000	1,355,000
July 1, 2016	2,240,000	2,530,000
January 1, 2017	3,620,000	4,090,000
July 1, 2017	5,225,000	5,910,000
January 1, 2018	6,700,000	7,585,000
July 1, 2018	8,080,000	9,150,000
January 1, 2019	9,370,000	10,605,000
July 1, 2019	10,565,000	11,955,000
January 1, 2020	11,665,000	13,200,000
July 1, 2020	12,670,000	14,340,000
January 1, 2021	13,585,000	15,380,000
July 1, 2021	14,430,000	16,335,000
January 1, 2022	15,185,000	17,190,000
July 1, 2022	15,855,000	17,945,000
January 1, 2023	16,440,000	18,605,000
July 1, 2023	16,940,000	19,175,000
January 1, 2024	17,385,000	19,675,000
July 1, 2024	17,840,000	20,195,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent the related PAC Bonds are redeemed from amounts on deposit in the Issue 2014-1 Bonds Subaccount of the Loan Fund not applied to finance Program Loans.

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds."

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans as described below under the heading "DESCRIPTION OF OFFERED BONDS – Redemption of Offered Bonds from Unexpended Proceeds"; (ii) except as otherwise described under the headings "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds", and " – Mandatory Redemption – 10 Year Rule", repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the, "Code"), (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and (b) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of the PAC Bond to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedules. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) of the preceding paragraph shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be so redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) of the preceding paragraph. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS – THDA Redemption Practices".

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds (including Sinking Fund Payments) or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," the Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the related Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedules only if there are no other Offered Bonds outstanding and if the PAC Bonds are to be redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
May 29, 2014	11.54%
January 13, 2015	23.72
May 29, 2024	100.00

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on January 1, 2015, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2014-1 Bonds Subaccount of the Loan Fund on December 1, 2014, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2014-1 Supplemental Resolution, including without limitation, provision of a Projected Cash Flow Statement.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Offered Bonds are subject to mandatory redemption on November 29, 2017, to the extent any amounts remain on deposit in the Issue 2014-1 Bonds Subaccount of the Loan Fund on October 1, 2017.

Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding.

Selection By Lot

If less than all of the Issue 2014-1 Bonds of like series and maturity are to be redeemed, the particular Issue 2014-1 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth, in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2014-1 Bonds will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 150,000,000.00
Premium on Issue 2014-1A PAC Bond	1,491,245.60
Premium on Issue 2014-1C PAC Bond	1,868,441.40
Transferred Program Loans	37,200,000.00
Transferred Investments	3,399,517.69
TOTAL SOURCES	$ 193,959,204.69
USES	
Deposit to Loan Fund[(1)]	$ 156,803,633.54
Redemption of Prior Bonds	30,500,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	1,000,000.00
Deposit to Bond Reserve Fund	4,477,185.73
Costs of Issuance	253,500.00
Underwriters' Fee	924,885.42
TOTAL USES	$ 193,959,204.69

(1) Includes $119,603,633.54 in proceeds from Issue 2014-1C plus approximately $37,200,000 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable solely from the revenues and assets of THDA pledged under the Resolution. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

> (a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;
>
> (b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution;
>
> (c) All Funds and Accounts created by the Resolution, including the Bond Reserve Fund, and monies and securities therein (see Appendix D “2013 GENERAL RESOLUTION”); and
>
> (d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. In accordance with the Act and the Resolution, THDA has established a Bond Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the “Bond Reserve Fund Requirement.” The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each series of Bonds established in the Supplemental Resolution authorizing such series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities. On the date of issuance of the Offered Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, on any Interest Payment Date or Redemption Date, there is not a sufficient amount available in the Revenue Fund and the Redemption Fund, if applicable, to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the extent necessary to make good the deficiency.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds and other outstanding bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D “2013 GENERAL RESOLUTION” for a description of Projected Cash Flow

Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

THDA has prepared and filed a Projected Cash Flow Statement in connection with the issuance of the Offered Bonds (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement has been based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $37,200,000, with a weighted average maturity of approximately 237 months and a weighted average interest rate of approximately 5.46%, will be allocated to the Offered Bonds and (ii) THDA originates approximately $119,603,634 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 4.03%; approximately $175,000 of which are participation interests in Program Loans funded on a blended basis with proceeds of the Offered Bonds and proceeds of other Bonds under the General Resolution for which all of the interest is allocable to the Offered Bonds. The Projected Cash Flow Statement has evidenced that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2014-1 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. Although THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Choice Program Loans, New Start Program Loans, and Homeownership for the Brave Program Loans, THDA does not expect to use proceeds of the Offered Bonds to make New Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" for descriptions of the various Program Loan products and Appendix G "RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2014-1C Bonds will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 4.03%; approximately $175,000 of which are participation interests in Program Loans funded on a blended basis with proceeds of the Offered Bonds and proceeds of other Bonds under the General Resolution for which all of the interest is allocable to the Offered Bonds and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans in connection with the sale of bonds by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds; however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2014-1C Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from Issue 2014-1C Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds on February 14, 2014. As of April 15, 2014, THDA has committed a total principal amount of approximately $11,550,000 of Program Loans, all of which are Great Choice Program Loans and Homeownership for the Brave Program Loans, that will be allocated to the Offered Bonds. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans". Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

If a significant default or other financial crisis should occur in the affairs of the United States or any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $217 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $40,000 for up to 36 months. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of February 28, 2014, 6,915 loans made under the HHF Program have closed. Of these, 38 HHF Program loans, with an aggregate principal balance of approximately $2,826,362, have been made with respect to Program Loans previously financed under the Resolution or the Transferred Program Loans. None of the HHF Program loans are pledged as security for the Bonds.

The Tennessee Attorney General and Reporter participated in the lawsuit brought by 49 states attorneys general against the five largest mortgage loan servicers in the United States. This lawsuit resulted in a settlement under which the affected servicers must, among other things, pay states attorneys general certain sums (the "AG Settlement"). The Tennessee Attorney General and Reporter made $25,000,000 of the AG Settlement amount paid to Tennessee available to THDA for a program to assist borrowers who are at risk of foreclosure due to unexpected medical events. On July 1, 2012, THDA implemented a program that includes all HHF Program requirements described above; however, long term medical hardship is also an eligibility requirement (the "AG Settlement Program"). As of February 28, 2014, 528 loans made under the AG Settlement have closed. Of these, 2 AG Settlement Program loans, with an aggregate principal balance of approximately $107,141, have been made with respect to Program Loans previously financed under the Resolution or the Transferred Program Loans. None of the AG Settlement Program loans are pledged as security for the Bonds.

In addition to federal governmental actions designed to address economic difficulties, both the federal government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. On February 1, 2012, for example, USDA/RD announced its Single Family Housing Guaranteed Rural Refinance Pilot Program. The pilot program is intended to assist existing borrowers in refinancing USDA/RD guaranteed mortgage loans with greater speed and ease. Borrowers will be able to secure lower interest rates and payments without the need of obtaining a new appraisal or new property inspections. Additionally, on March 6, 2012, the Obama Administration announced a new streamlined refinancing plan under which FHA, effective June 11, 2012, reduced its upfront and annual mortgage insurance premiums for refinancings of FHA insured mortgage loans originated before June 1, 2009. These programs have had minimal effect on the THDA Program Loan portfolio.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the Resolution, the resolutions to be adopted in connection with other series of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "- Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution specifies, and the resolutions to be adopted in connection with other series of Bonds under the General Resolution will specify, when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and series to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other series of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Bond Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D “2013 GENERAL RESOLUTION” for a description of Program Expenses. While Costs of Issuance and Underwriters’ fees associated with the Offered Bonds and expected to be paid from proceeds of the Offered Bonds, THDA may use funds on deposit in the Debt Service and Expense Account of the Revenue Fund to pay such Costs of Issuance and Underwriters’ fees in future transactions. In addition, THDA expects to pay certain Program Expenses, including ongoing Trustee’s fees and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from the other THDA bond resolutions and from other resources available to THDA. No assurances can be provided that THDA will not withdraw funds from the Resolution in the future to pay all Program Expenses. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see “THDA – THDA Funds”. THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until May 29, 2017, 0.5% per annum until May 29, 2020, 1.0% per annum until May 29, 2024, and 1.5% per annum thereafter; and (iii) funds on deposit in the Issue 2014-1 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term “weighted average life” refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association (“PSA”)) prepayment standard or model (commonly referred to as the “PSA Prepayment Model”).

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, “0% PSA” assumes no prepayments of principal on the Program Loans. “25% PSA” assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. “50% PSA” assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. “100% PSA” assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "200% PSA" assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. "300% PSA" assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "400% PSA" assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "500% PSA" assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under "Changes in Federal or State Law" above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds", and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2014-1 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $37,200,000 of Transferred Program Loans with an approximate weighted average maturity of 237 months and an approximate weighted average interest rate of 5.46% will be allocated to the Offered Bonds, (iii) Excess 2014-1 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the related Planned Amortization Amounts as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see "DESCRIPTION OF TRANSFERRED PROGRAM LOANS" herein.

Projected Weighted Average Lives For PAC Bonds

PSA Speed	Issue 2014-1A PAC Bond Average Life (in years)	Issue 2014-1C PAC Bond Average Life (in years)
0%	21.8	21.8
25	15.1	15.1
50	9.1	9.1
75	5.2	5.2
100	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	4.3	4.3

RESIDENTIAL FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $337,205,000 total original principal amount of bonds under the General Resolution, of which $325,195,000 (unaudited) were outstanding as of March 31, 2014, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of March 31, 2014 (unaudited)	Original Net Interest Cost[(1)]
Issue 2013-1	May 30, 2013	$215,905,000	$203,895,000	3.13%
Issue 2013-2	November 19, 2013	121,300,000	121,300,000	3.59
TOTAL		$337,205,000	$325,195,000	

(1) Bond yield.

Origination Experience

THDA's experience from May 30, 2013, to March 31, 2014, regarding origination of Program Loans[(1)] from lendable proceeds of Bonds issued under the General Resolution since May 30, 2013, is shown in the following table:

Issue of Bonds	Lendable Proceeds[(2)]	Program Loans Financed[(3)] as of March 31, 2014		Weighted Average Mortgage Interest Rate
		Amount	%	
Issue 2013-1	$135,268,395	$135,268,395	100.00%	4.11%
Issue 2013-2	78,421,003	78,421,003	100.00	4.60
TOTAL	$213,689,398	$213,689,398		

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for more information about Program Loans.

(2) Excludes proceeds that must be lent at 0% interest as participations in other Program Loans.

(3) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

THDA began committing Program Loans against the expected lendable proceeds from the Offered Bonds on February 14, 2014, and as of April 15, 2014, THDA has committed a total principal amount of approximately $11,550,000 of Program Loans that will be allocated to the Offered Bonds, all of which are Great Choice Program Loans or Homeownership for the Brave Program Loans. THDA expects to reimburse itself for the full original principal amount of the Program Loans purchased as of the day of closing.

RESIDENTIAL FINANCE PROGRAM LOANS

Description of Residential Finance Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits and THDA Acquisition Cost Limits for all loan programs are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits are either $240,000 or $275,000 depending on geographic location. The THDA Household Income Limits range from $54,600 to $89,600 depending on household size and geographic location. See Appendix G for a description of Residential Finance Program Loan Procedures related to Code requirements.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2014-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United

States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. While the 2014-1 Supplemental Resolution provides that all Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Since April 15, 2009, THDA has applied underwriting standards for Program Loans made after that date that, among other things include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. Program Loans financed prior to such date, including the Transferred Program Loans, were underwritten under different underwriting standards. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

On or before September 30, 2013, the THDA primary loan program included Great Rate loans, Great Advantage loans, Great Start loans and Homeownership for the Brave loans, all as described below. Transferred Program Loans financed prior to September 30, 2013, are Great Rate, Great Advantage, Great Start or Homeownership for the Brave Program Loans. On and after October 1, 2013, the THDA primary loan program includes Great Choice Program loans and Homeownership for the Brave Program loans, all as described below.

On or before September 30, 2013, THDA provided downpayment and closing cost assistance in the form of a grant that was available in connection with Great Start and Great Advantage Program Loans. Higher interest rates on these two Program Loan types reimbursed THDA for the grants made. On and after October 1, 2013, THDA provided downpayment and closing cost assistance in the form of Great Choice Plus Program Loans as described below.

Great Choice Program Loans

Since October 1, 2013, THDA has made Great Choice Program Loans available to eligible borrowers. Great Choice Program Loans are thirty year, fixed interest rate loans, fully amortized with full documentation and secured by a first lien on the property purchased. The interest rate for Great Choice Program Loans is set at a rate which results in the yield on such Program Loans not in excess of 1.125% above the yield on the related issue of bonds. The current interest rate for Great Choice Program Loans is 4.45%. THDA has announced, however, that the interest rate for Great Choice Program Loans for applications submitted on or after April 28, 2014, will be 3.99%.

Great Choice Plus Loans

Since October 1, 2013, THDA has made Great Choice Plus loans available to eligible borrowers. Great Choice Plus loans are loans for downpayment and closing cost assistance and are available at the election of eligible borrowers in connection with Great Choice Program Loans. They are ten year, 0% interest rate loans in a principal amount equal to 4% of the purchase price of the property purchased. Each Great Choice Plus loan is fully amortized and secured by a second lien on the property purchased. Great Choice Plus loans are due on sale and are not assumable.

At the election of THDA, Great Choice Plus loans may be financed with proceeds of Bonds issued under the Resolution or from other resources available to THDA, including, without limitation, excess funds under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. To date, all Great Choice Plus loans have been financed with other resources available to THDA and will not be funded with the proceeds of the Offered Bonds. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Great Choice Plus loans with the proceeds of such Bonds. In the event proceeds of future series of Bonds are used to fund Great Choice Plus loans, such loans will constitute Program Loans, will be subject to the lien of the General Resolution and will be a portion of the sources of payment of and security for the Bonds.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of 60% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. An interest rate equal to one-half of the current interest rate for Great Choice Program Loans is available to borrowers who have a maximum family income of 70% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. All other THDA Program Loan requirements remain applicable. As of February 28, 2014 (unaudited), 85 New Start Program Loans, with an aggregate principal balance of approximately $4,702,431, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other Bonds.

Homeownership for the Brave

Homeownership for the Brave Program Loans are available to eligible borrowers at a ½-percentage point reduction on the otherwise applicable loan program. Active and retired members of the military and reservists (180 days active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of February 28, 2014 (unaudited), 70 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $8,270,247, were outstanding under the General Resolution. Eligible borrowers will also be eligible for Great Choice Plus loans. THDA may continue to finance Homeownership for the Brave Loans, from time to time, from the proceeds of the Offered Bonds as well as from the proceeds of other Bonds.

Disaster Relief and Economic Recovery Mortgage Program

THDA made Disaster Relief and Economic Recovery Mortgage Program Loans from funds available under the 1974 General Resolution. In connection with Issue 2013-1 Bonds issued under the General Resolution, certain of these Disaster Relief and Economic Recovery Program Loans became Transferred Program Loans allocable to the Issue 2013-1 Bonds under the General Resolution. As of February 28, 2014 (unaudited), 263 Disaster Relief Program Loans, with an aggregate principal balance of approximately $18,610,370, were outstanding under the General Resolution. THDA no longer makes loans of this type.

Great Rate/Great Advantage/Great Start Program Loans

Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were available to qualified borrowers who had loan applications dated on or before September 30, 2013. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan were established at rates which resulted in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds.

An amount equal to 4% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA financed this downpayment and closing cost assistance from excess revenues available outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance.

Although Transferred Program Loans are Great Rate or Great Start Program Loans, THDA no longer makes loans of this type.

Residential Finance Program Portfolio Data

General

As of February 28, 2014 (unaudited), 3,841 Program Loans for single family owner-occupied housing having an aggregate outstanding principal amount of approximately $331,397,101 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 316.47 months and an approximate weighted average interest rate of 4.56%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of February 28, 2014 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA (1)	Number of Program Loans	Outstanding Balance (3)	Percent of Total Number of Program Loans (3)	Percent of Outstanding Balance (4)
FHA Insured	3,160	$280,274,041	82.27%	84.57%
VA Guaranteed	84	8,151,630	2.19	2.46
Privately insured	150	12,611,256	3.91	3.81
USDA/RD Guaranteed	226	16,337,097	5.88	4.93
Uninsured(2)	221	14,023,078	5.75	4.23
TOTAL	3,841	$331,397,101(4)	100.00%(4)	100.00%(4)

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least 'AA' by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least 'AA' from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Program Loans allocated to Bonds under the Resolution upon the refunding of other THDA obligations, including certain of the Transferred Program Loans, are privately insured and are shown under the heading "Privately insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least 'AA' by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least 'AA' by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of February 28, 2014 (unaudited), 150[(1)] privately insured Program Loans having an aggregate balance of approximately $12,611,256 were outstanding under the General Resolution. As of February 28, 2014 (unaudited), THDA had the following information regarding the private mortgage insurers for 99 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [(2)]	Percent of Total Number of Program Loans[(2)]	Percent of Outstanding Balance [(2)]
Commonwealth/CMAC	1	$ 22,913	0.03%	0.01%
Genworth Mortgage Insurance Corp. (GE)	34	3,204,918	0.89	0.97
MGIC	32	3,055,453	0.83	0.92
Radian Guaranty Inc.	1	40,793	0.03	0.01
Republic Mortgage Insurance Corporation	20	2,061,882	0.52	0.62
United Guaranty Residential Insurance Co.	11	989,560	0.29	0.30
TOTAL	99	$9,375,519[(3)]	2.59%[(3)]	2.83%[(3)]

(1) The private mortgage insurer is not identified with respect to 51 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.
(2) Rounded figures.
(3) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of February 28, 2014 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[(1)]	Outstanding Balance [(2)]	Percent of Total Number of Program Loans[(2)]	Percent of Outstanding Balance [(2)]
0.00-0.99	162	$ 8,659,650	4.22%	2.61%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	0	0	0.00	0.00
3.00-3.99	282	28,318,385	7.34	8.55
4.00-4.99	1,781	201,610,385	46.37	60.84
5.00-5.49	321	28,215,763	8.36	8.51
5.50-5.99	685	27,491,824	17.83	8.30
6.00-6.49	236	19,773,694	6.14	5.97
6.50-6.99	311	15,473,593	8.10	4.67
7.00-7.49	57	1,733,716	1.48	0.52
7.50-7.99	1	4,888	0.03	0.00
8.00-8.49	0	0	0.00	0.00
8.50-8.99	0	0	0.00	0.00
9.00-9.49	5	115,204	0.13	0.03
TOTAL	3,841	$331,397,101[(3)]	100.00%[(3)]	100.00%[(3)]

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.
(2) Rounded figures.
(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of February 28, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.02%, based on a total of 3,841 Program Loans as of February 28, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of February 28, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF FEBRUARY 28, 2014

	Program Loans			**MBA**(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	32	$2,744,336	0.83%	2.00%(4)
VA Guaranteed	0	0	0.00	1.09
Privately insured	3	214,977	0.08	0.62 (5)
USDA/RD Guaranteed	3	342,257	0.08	(6)
Uninsured	1	59,154	0.03	(6)
TOTAL	39	$3,360,724(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.53%, based on a total of 3,841 Program Loans as of February 28, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of February 28, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF FEBRUARY 28, 2014

	Program Loans			**MBA**(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	82	$4,904,958	2.13%	4.06%(4)
VA Guaranteed	3	278,110	0.08	2.56
Privately insured	6	514,852	0.16	1.12 (5)
USDA/RD Guaranteed	6	398,299	0.16	(6)
Uninsured	0	0	0.00	(6)
TOTAL	97	$6,096,219(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.33%, based on a total of 3,841 Program Loans as of February 28, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of February 28, 2014 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2013, are as follows:

IN FORECLOSURE AS OF FEBRUARY 28, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	47	$2,559,461	1.22%	2.14%[4]
VA Guaranteed	2	95,258	0.05	1.32
Privately insured	1	57,730	0.03	0.65 [5]
USDA/RD Guaranteed	1	65,492	0.03	[6]
Uninsured	0	0	0.00	[6]
TOTAL	51	$2,777,942[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

As of February 28, 2014, the Transferred Program Loans have an approximate weighted average maturity of 239.47 months and a weighted average interest rate of 5.46% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS – Prepayment Experience of Transferred Program Loans" below. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of February 28, 2014; the Transferred Program Loans will not be allocable to the Offered Bonds until May 29, 2014, and Transferred Program Loan characteristics may change slightly from February 28, 2014, to May 29, 2014).

Transferred Program Loans by Type of Mortgage

Type of Mortgage	Number	Principal Amount [3]	% of Transferred Principal Amount
FHA Insured	427	$27,660,494	72.83%
VA Guaranteed	23	1,376,607	3.62
Privately Insured[1]	17	958,899	2.52
USDA/RD Guaranteed	109	6,341,690	16.70
Uninsured[2]	23	1,642,651	4.33
TOTAL	599	$37,980,340 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.
(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.
(3) Rounded figures.
(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least ‘AA’ by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least ‘AA’ by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of February 28, 2014 (unaudited), 17 privately insured Transferred Program Loans having an aggregate principal balance of approximately $958,899 were outstanding.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to the Prior Bonds. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to the Prior Bonds for the 3 month, 6 month and 12 month periods ended on February 28, 2014, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Mortgage Rate
2004-3	151%	171%	216%	154%	5.46%

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.51%, based on a total of 599 Transferred Program Loans as of February 28, 2014 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of February 28, 2014, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF FEBRUARY 28, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% by Type of Program Loan	% by Loan Type
FHA Insured	8	$501,841	1.34%	2.00%[4]
VA Guaranteed	2	125,620	0.33	1.09
Privately insured	0	0	0.00	0.62 [5]
USDA/RD Guaranteed	4	228,227	0.67	[6]
Uninsured	1	80,288	0.17	[6]
TOTAL	15	$935,977[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 4.84%, based on a total of 599 Transferred Program Loans as of February 28, 2014 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of February 28, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF FEBRUARY 28, 2014

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	27	$1,647,914	4.51%	4.06%(4)
VA Guaranteed	0	0	0.00	2.56
Privately insured	0	0	0.00	1.12 (5)
USDA/RD Guaranteed	2	152,708	0.33	(6)
Uninsured	0	0	0.00	(6)
TOTAL	29	$1,800,622(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 2.51%, based on a total of 599 Transferred Program Loans as of February 28, 2014 (unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of February 28, 2014 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending December 31, 2013, are shown in the following table:

IN FORECLOSURE AS OF FEBRUARY 28, 2014

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	11	864,161	1.84%	2.14%(4)
VA Guaranteed	1	110,076	0.17	0.32
Privately insured	0	0	0.00	0.65 (5)
USDA/RD Guaranteed	3	124,686	0.50	(6)
Uninsured	0	0	0.00	(6)
TOTAL	15	$1,098,923(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

FINANCIAL SUMMARY OF RESIDENTIAL FINANCE PROGRAM

Consolidated Revenues and Net Position

The following table summarizes consolidated revenues and net position for Residential Finance Program Bonds for the year ended June 30, 2013, and for the six months ended December 31, 2013. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the year ended June 30, 2013, and for the six months ended December 31, 2013 (unaudited).

	Six Months Ended December 31 (Unaudited)	Year Ended June 30 (Audited)
Residential Finance Bond Group	**2013**	**2013**
REVENUES:		
Interest on Mortgages	$ 5,219	$ 222
Investment Income:		
Interest	155	10
Net Increase (decrease) in the Fair Value of Investments	101	(83)
Fees and Other Income	-	76
	5,475	225
EXPENSES:		
Interest	3,542	551
Issuance Cost	888	1,679
Mortgage Servicing Fees	361	18
Other	102	1
	4,893	2,249
Excess of Revenues over Expenses	582	(2,024)
Net Position at beginning of period	(68,279)	-
Other Transfers	101,267	(66,255)
Net Position at end of period	$ 33,570	$ (68,279) [1]

[1] On May 30, 2013 THDA issued its Issue 2013-1 Bonds under the General Resolution. Proceeds of the Issue 2013-1 Bonds in an aggregate principal amount of $75,905,000 were applied to the refunding of THDA's Issue 2003-A Bonds under the 1974 General Resolution and THDA's Issue 2004-1 Bonds under the 1985 General Resolution. While the Issue 2013-1 Bonds were issued on May 30, 2013, the assets allocable to the Issue 2003-A and the Issue 2004-1 Bonds in an aggregate amount of approximately $99,855,200 did not transfer to the General Resolution until July 1, 2013, the date of the redemption of such bonds. As a result of such transfer, the net position of the General Resolution as of July 1, 2013, was approximately $31,576,000 (unaudited).

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Investments

THDA's non-mortgage investments of funds held under the Resolution consist of Investment Securities as authorized in the Resolution. THDA solicits bids in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of March 31, 2014 (unaudited), the Resolution investment portfolio was placed as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Farm Credit Bank Notes	$ 0	$ 97,613
Federal Home Loan Bank Notes	0	5,652,438
Federal Home Loan Mortgage Corporation Notes	0	4,068,897
Fannie Mae Notes	2,449,752	110,384
TOTAL	$ 2,449,752	$ 9,929,332

As of March 31, 2014 (unaudited), amounts in the Bond Reserve Fund, a portion of the Resolution investment portfolio described above, were invested as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Home Loan Bank Notes	$ 0	$ 5,076,447
Federal Home Loan Mortgage Corporation Notes	0	1,163,049
TOTAL	$ 0	$ 6,239,496

(1) Short term investments include cash equivalents and investments that mature in one year or less.

(2) Long term investments include investments that mature in more than one year regardless of call features.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

In accordance with Tennessee law, state entities, including THDA, are subject to periodic review by the General Assembly to evaluate the necessity for their continued existence. During the current legislative session, legislation passed the Tennessee General Assembly and was signed by the Governor to extend THDA's existence to June 30, 2018. If THDA's existence is terminated, the State is obligated to preserve the rights of the holders of any outstanding THDA bonds or other indebtedness and the obligations and rights of THDA accrue to the State.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of March 31, 2014 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $1,875,150,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that six board members be appointed by the Governor from among the following groups: retail building material supply, manufactured housing, home building, mortgage banking, licensed real estate brokers, local public housing authority, local government and qualifying non-profits. In addition, the Act also provides for a board member to be appointed by the Speaker of the State Senate, a board member be appointed by the Speaker of the State House of Representatives, two at-large board members appointed by the Governor who are knowledgeable about the problems of inadequate housing conditions in Tennessee and any board members as may be required by applicable federal law or regulation. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors are shown below:

Name	**Term Expires**	**Principal Occupation**
Phil M. Baggett	June 30, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
John L. Baker	June 30, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	June 30, 2017	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Philip C. Chamberlain, II	June 30, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Dorothy L. Cleaves	June 30, 2016	First Vice President, Paragon National Bank Memphis
Kendra Cooke	June 30, 2017	Broker, Cooke Realty Partners/Bob Parks Realty Brentwood, TN
Terry Cunningham	June 30, 2016	Executive Director, Kingsport Housing & Redevelopment Authority, Kingsport, TN
Tre Hargett(1)	January, 2017	Secretary of State
Ronald K. Jones	June 30, 2016	Executive Director, Trevecca Towers Nashville
David H. Lillard, Jr.(1)	January, 2015	State Treasurer
Larry Martin(1)	(2)	Commissioner, Department of Finance and Administration
Ashleigh Harb Roberts(1)	(2)	Deputy Counsel to the Governor
Benjie Shuler	June 30, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	June 30, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson(1)	January, 2015	Comptroller of the Treasury
Mary Chatman	(3)	Springfield, TN

(1) Ex officio member.

(2) Serves at pleasure of Governor.

(3) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 210 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Lindsay Hall – Senior Director of Single Family Programs since 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Gathelyn (Gay) Oliver, C.P.A. - Director of Internal Audit since 2013. Formerly, Tennessee Department of Human Services (2010-2013); Randa Solutions (2009-2010); Beacon Technologies (2007-2009); BellSouth (1999-2007); Tennessee Department of Revenue (1988-1997, 1998-1999), Tennessee Department of Environment and Conservation(1997-1998). B.B.A., Middle Tennessee State University, M.B.A., Vanderbilt University Owen Graduate School of Management.

Trent Ridley – Chief Financial Officer since 2006. THDA employee since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

THDA's principal office is located at 502 Deaderick Street, 3rd Floor, Nashville, Tennessee 37243-0200, and its telephone number is (615) 815-2200. THDA has regional offices in four (4) locations elsewhere in the State for the purpose of administering the Section 8 program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Residential Finance Program and all of the other general bond resolutions and mortgage loan programs of THDA.

The Housing Program Fund is the vehicle used by THDA to fund non-mortgage programs not otherwise funded through federal programs. Essentially, all revenues of THDA derived from sources other than the Residential Finance Program or other bond resolutions are deposited into the Housing Program Fund. Amounts in the Housing Program Fund currently include investment income from the Housing Program Fund, federal funds received by THDA for the administration of federal programs, and fees charged by THDA in connection with its non-mortgage programs. Amounts in the Housing Program Fund are not pledged as security for the Offered Bonds.

The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings, but which presently has a balance of $0. Amounts in the Assets Fund, if any, are not pledged as security for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program no longer administered by THDA. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are appropriated to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002.

Notwithstanding the foregoing, if projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Payment of THDA Operating Expenses, Including Program Expenses

THDA currently receives no funds from the State of Tennessee for operating and administrative expenses. THDA currently pays all operating and administrative expenses, including Program Expenses of the Residential Finance Program, with funds available therefor from the other THDA bond resolutions and from the Housing Program Fund. THDA currently pays only certain expenses, such as Costs of Issuance, Underwriter's fees, Trustee's fees, and other similar costs from bond proceeds. THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriter's fees, Trustee's fees, and other similar costs) and all other THDA operating and administrative costs and expenses from the other THDA bond resolutions and from other resources available to THDA. No assurance can be provided that THDA will not withdraw funds from the Resolution in the future to pay such expenses. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses. Regardless of THDA's best efforts and in the event of additional transfers to the State, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 58,446 active members in TCRS in the state and higher education employee group at June 30, 2013. This total includes 242 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees hired prior to July 1, 2014, in the state and higher education group, including THDA employees, are noncontributory. New employees hired after June 30, 2014, will contribute 5% of salary.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The next actuarial valuation is scheduled for July 1, 2015.

Actuarial Valuation

At July 1, 2013, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.466 billion, resulting in a funded ratio of 89.40%. The unfunded actuarial liability would have been $1.955 billion if based on the market value of assets with the funded ratio being 85.56%. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2012, and ending June 30, 2014, is 15.03% based on the actuarial valuation performed as of July 1, 2011. The employer contribution rate for the period July 1, 2014, to June 30, 2015, will be 15.03% for employees hired before July 1, 2014, while the employer rate will be 4% for employees first hired after June 30, 2014.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2014	15.03%	$12,811,700*	$1,925,599*	1.30%*
2013	15.03	11,315,872	1,692,847	1.26
2012	14.91	11,005,204	1,632,095	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2013, the salary of THDA employees totaled $11,315,872, which represents 0.458% of the $2.469 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred investment losses that have been actuarially smoothed are recognized over the next ten years.

New Pension Plan for Employees Hired after June 30, 2014

As authorized by Public Chapter 259, Acts of 2013, employees first hired after June 30, 2014, will participate in a hybrid pension plan consisting of a defined benefit plan and a defined contribution plan. Employees will contribute at 5% of salary to the defined benefit plan. Employees will contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans will be limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan.

The benefit accrual formula under the hybrid plan will be 1% versus 1.575% in the legacy plan. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90) while the legacy plan is age 60 or 30 years of service. Vesting is 5 years for both the hybrid and the legacy plan. There is a stabilization reserve created for any employer contributions that exceed the actuarial required employer rate that will be utilized to control cost and unfunded liabilities.

The defined benefit component of the hybrid plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the new hybrid plan and do not apply to the legacy pension plan.

New Governmental Accounting Statements 67 and 68

In June 2012, the Governmental Accounting Standards Board ("GASB") issued new statements (nos. 67 and 68) relative to how a pension plan and the employer will account for pension expenses and obligations. Statement No. 67 will be effective for TCRS for the fiscal year ended June 30, 2014, and Statement No. 68 will be effective for the State of Tennessee for the fiscal year ended June 30, 2015. The State of Tennessee will comply with the new accounting requirements when they become effective.

Deferred Compensation Plan

The state offers its employees two voluntary deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The Section 401(k) and Section 457 plan assets remain the property of the contributing employees. IRC Sections 401(k) and 457 establish participation, contribution and withdrawal provisions for the plans. During the fiscal year ended June 30, 2013, total contributions totaling $146.3 million were made to the plans. Subject to appropriation in the annual state budget, employer matching contributions up to $50 per month may be made. For the fiscal years 2013 and 2014, the budget included appropriation for the $50 match. Employees will vest immediately to both the employee and employer contributions.

Under the new hybrid plan provisions for state and higher education employees, employees hired on or after July 1, 2014, will contribute 2% of salary to the state's 401(k) plan with the employer contributing an additional 5% to the plan. Employees may opt out of the 2% employee contribution. Additionally, employees would be eligible for employer matching contributions up to $50 per month subject to annual appropriation in the state budget. The hybrid plan employees will vest immediately to both the employee and employer contributions.

Other Post-Employment Benefits

Certain other GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2011, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $2,919,000 and the annual required contribution for THDA is approximately $362,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of

2014. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2014-1A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2014-1B Bonds and the Issue 2014-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2014-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2014-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a “Premium Bond”) over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned the Offered Bonds a rating of ‘Aa1’ and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (“S&P”) has assigned the Offered Bonds a rating of ‘AA+’. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody’s and Standard & Poor’s. THDA has furnished to Moody’s and Standard & Poor’s certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

Due to the ongoing uncertainly regarding the economy of the United States of America (including, without limitation, matters such as the current and future political uncertainty regarding the United States debt limit), obligations, such as the Offered Bonds, issued by state and local governments, and instrumentalities thereof, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 2009 General Resolution will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the “Rule”) under the Securities Exchange Act of 1934, THDA, in the Issue 2014-1 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2014-1 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in “FINANCIAL STATEMENTS” below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under “RESIDENTIAL FINANCE PROGRAM BONDS,” and “RESIDENTIAL FINANCE PROGRAM LOANS” including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, (ii) contained in Appendix E hereto and (iii) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, “Annual Financial Information”). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA’s audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Bond Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on any credit enhancement reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the “IRS”) of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2014-1 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2014-1 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2014-1 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2014-1 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

THDA has materially complied with all previous similar Rule undertakings during at least the past five years.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the year ended June 30, 2013, and June 30, 2012, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the six months ended December 31, 2013, and December 31, 2012. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

UNDERWRITING

Raymond James & Associates, Inc., Citigroup Global Markets Inc., RBC Capital Markets, LLC, J.P. Morgan Securities LLC, Wells Fargo Bank, N.A., and FTN Financial Capital Markets (collectively, the “Underwriters”) have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at the prices indicated on the inside cover of this Official Statement. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $924,885.42. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup, an underwriter of the Offered Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Offered Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Offered Bonds, has entered into a negotiated dealer agreement (“Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase the Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that CS&Co. sells.

Wells Fargo Bank, National Association (“WFBNA”), one of the underwriters of the Offered Bonds, has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly-owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7897
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying statements of net position of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2013, and June 30, 2012, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2013, and June 30, 2012, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 1, 2013, on our consideration of the Tennessee Housing Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency's internal control over financial reporting.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
October 1, 2013

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2013 and June 30, 2012. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2013, THDA has originated over 110,000 single-family mortgage loans in its 40-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, as well as notes to the financial statements. The statements of net position provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net position summarize the results of operations over the course of each fiscal

year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at www.tn.gov/finance/act/cafr.shtml.

During fiscal year 2013, THDA implemented several accounting standards including GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* Among the requirements of these pronouncements, GASB Statement 63 required the reclassification of Net Assets to Net Position, as well as the reclassification of certain deferred amounts to new categories called Deferred Outflows of Resources and Deferred Inflows of Resources. As applicable to THDA, deferred amounts from bond refundings, which were previously reported as a component of bonds payable (noncurrent), are now reported as Deferred Outflows of Resources. In addition, bond issuance costs, which previously was reported as an asset (deferred charges) and amortized over the life of the bonds, is now recognized as expense in the period when incurred. GASB statement 65 required retroactive implementation and reporting for all financial periods presented; therefore, beginning net position for fiscal year 2012 was restated to reflect the retroactive application of GASB statement 65.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2013

- Total assets increased by $102.4 million, or 3.9%.
- Deferred outflows of resources decreased $0.2 million, or 6.5%.
- Total liabilities increased by $119.3 million, or 5.7%.
- Net position was $526.5 million. This is a decrease of $17.0 million, or 3.1% from fiscal year 2012.
- Cash and cash equivalents increased by $150.7 million, or 59.4%.
- Total investments increased by $56.9 million, or 25.0%.
- Bonds payable increased by $116.5 million, or 5.8%.

- THDA originated $212.2 million in new loans, which is a decrease of $23.6 million, or 10.0%, from the prior year.

Year Ended June 30, 2012

- Total assets decreased by $97.7 million, or 3.6%.
- Deferred outflows of resources decreased $0.9 million, or 26.9%.
- Total liabilities decreased by $136.8 million, or 6.2%.
- Net position was $543.5 million. This is an increase of $38.3 million, or 7.5%, from fiscal year 2011.
- Cash and cash equivalents decreased $57.0 million, or 18.3%.
- Total investments decreased $8.5 million, or 3.6%.
- Bonds and notes payable decreased $123.4 million, or 5.8%.
- THDA originated $235.7 million in new loans, which is an increase of $4.6 million, or 2.0%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position. The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2013	2012	2011
Current assets	$ 495,605	$ 314,268	$ 304,429
Capital assets	194	113	157
Other noncurrent assets	2,231,487	2,310,506	2,418,006
Total assets	2,727,286	2,624,887	2,722,592
Deferred outflows of resources	2,287	2,445	3,346
Current liabilities	303,224	207,708	150,534
Noncurrent liabilities	1,899,882	1,876,123	2,070,179
Total liabilities	2,203,106	2,083,831	2,220,713
Invested in capital assets	194	114	157
Restricted net position	489,105	503,563	502,856
Unrestricted net position	37,168	39,824	2,212
Total net position	$ 526,467	$ 543,501	$ 505,225

2013 to 2012

- THDA's total net position decreased by $17.0 million, or 3.1%, from $543.5 million at June 30, 2012 to $526.5 million at June 30, 2013. While various factors accounted for this change, the most significant factors include a decrease in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, and an increase in bonds payable.

- Mortgage loans receivable decreased by $109.3 million, or 5.2% from $2,096.6 million on June 30, 2012 to $1,987.3 million on June 30, 2013. During FY 2013, single-family mortgage loan originations decreased by $23.6 million, or 10.0% from $235.7 million at June 30, 2012 to $212.2 million at June 30, 2013. Conversely, mortgage loan prepayments and repayments increased by $58.3 million, or 28.0% from $209.0 million at June 30, 2012 to $267.3 million on June 30, 2013.

- Total liabilities increased $119.3 million, or 5.7% from $2,083.8 million at June 30, 2012 to $2,203.1 million on June 30, 2013. The increase is primarily due to an increase in the amount of bonds issued during fiscal year 2013 as compared to fiscal year 2012, as well as a small decrease in the redemption of bonds as compared to fiscal year 2012.

2012 to 2011

- THDA's total net position increased $38.3 million, or 7.6%, from $505.2 million at June 30, 2011 to $543.5 million at June 30, 2012. The net position of $505.2 million at June 30, 2011 was reduced by $14.7 million from the amount previously reported, due to the effect of implementing GASB 65. The primary factor that contributed to this increase was the receipt of $34.5 million of funds from the multi-state national mortgage settlement with the nation's leading mortgage servicers. In addition, THDA's total net position as of July 1, 2011 was revised downward by $14.7 million due to the implementation of GASB Statement 65.

- Mortgage loans receivable decreased $22.8 million, or 1.1%, from $2,119.4 million at June 30, 2011 to $2,096.6 million at June 30, 2012. During FY 2012, single-family mortgage loan originations increased $4.6 million or 2.0% from $231.1 million in FY 2011 to $235.7 million in FY 2012. Conversely, mortgage loan prepayments and repayments increased $28.8 million, or 16.0%, from $180.2 million in FY 2011 to $209.0 million in FY 2012.

- Total liabilities decreased $136.9 million, or 6.2%, from $2,220.7 million at June 30, 2011 to $2,083.8 million at June 30, 2012. As noted above, the implementation of GASB 65 was applied retroactively, therefore requiring a minor revision to the amount of liabilities as previously reported. While there were several factors that led to this decrease, notable year-to-year changes include a decrease of warrants / wires payable from $10.9 million at June 30, 2011 to $0 at June 30, 2012, and a decrease in the total amount of bonds and notes outstanding from $2,143.7 million at June 30, 2011 to $2,015.1 million at June 30, 2012.

Changes in Net Position. The following table summarizes the changes in revenues, expenses and changes in net position between fiscal years (expressed in thousands):

	2013	2012	2011
Operating revenues			
Mortgage interest income	$ 109,158	$ 116,015	$ 119,406
Investment income	(4,346)	11,992	6,156
Other	17,865	17,693	17,041
Total operating revenues	122,677	145,700	142,603
Operating expenses			
Interest expense	78,643	86,020	84,137
Other	41,982	41,298	40,082
Total operating expenses	120,625	127,318	124,219
Operating income	2,052	18,382	18,384
Nonoperating revenues (expenses)			
Grant revenues	237,638	260,371	355,754
Payment from primary government	-	34,500	-
Grant expenses	(256,724)	(274,977)	(369,957)
Total nonoperating revenues (expenses)	(19,086)	19,894	(14,203)
Change in net position	$ (17,034)	$ 38,276	$ 4,181

2013 to 2012

Total operating revenues decreased $23.0 million, or 15.8% from $145.7 million for the year ended June 30, 2012 to $122.7 million for the year ended June 30, 2013. The primary reasons for this decrease are as follows:

- Investment income decreased $16.3 million, or 136.2% from $12.0 million in 2012 to a net loss of $4.3 million in 2013. While interest income from investments decreased marginally, THDA experienced a net decrease in the fair value of investments of $15.2 million in fiscal year 2013, as compared to a net increase in the fair value of investments of $0.3 million in fiscal year 2012.

- Mortgage interest income decreased $6.9 million, or 5.9%, from $116.0 million in 2012 to $109.1 million in 2013. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in fiscal year 2012 to $120.6 million in fiscal year 2013. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

2012 to 2011
Total operating revenues increased $3.1 million from $142.6 million for the year ended June 30, 2011 to $145.7 million for the year ended June 30, 2012. The primary reasons for this increase are as follows:

- Mortgage interest revenue decreased $3.4 million, or $2.8%, from $119.4 million in FY 2011 to $116.0 million in FY 2012. This decrease is due to prepayments of older mortgage loans with higher interest rates, as compared to new loans being originated at historically low interest rates.

- Investment income increased $5.8 million, or 94.8%, from $6.2 million in 2011 to $12.0 million in 2012. While the increase in investment interest income was insignificant, the net increase (decrease) in the fair value of investments improved $5.2 million, or 106.5%, from a net decrease of $4.9 million in FY 2011 to a net increase of $0.3 million in FY 2012.

For the year ended June 30, 2012, total operating expenses increased $3.1 million, or 2.5%, from $124.2 million in 2011 to $127.3 million in 2012. The increase is not significant.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2013	2012	2011
Bonds payable	$ 2,136,806	$ 2,020,302	$ 2,140,486
Notes payable	-	-	3,250
Total bonds and notes payable	$ 2,136,806	$ 2,020,302	$ 2,143,736

Year Ended June 30, 2013
Total bonds and notes payable increased $116.5 million, or 5.8% due primarily to an increase in the amount of bonds issued as well as a decrease in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $456.7 million, with activity arising from three bond issues. With interest rates remaining at historically low

levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $66.5 million of outstanding bonds into new bond originations with lower interest rates.

Year Ended June 30, 2012

Total bonds and notes payable decreased $123.4 million, or 5.8%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $153.7 million, with activity arising from three bond issues. With investment interest rates at historically low levels, THDA has sought out opportunities to call bonds with proceeds from mortgage repayments and prepayments as practical. In addition to nominal advanced bond redemptions from mortgage loan prepayments, THDA refunded $135.1 million of bonds into bonds with lower interest rates.

New Issue Bond Program (NIBP)

The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 56,860,000	Bond Issue 2010-A1
	17,850,000	Bond Issue 2010-A2
	85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	40,000,000	Bond Issue 2010-B
	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	40,000,000	Bond Issue 2011-A
	60,000,000	Bond Issue 2009-B, Subseries B-3
August 25, 2011	40,000,000	Bond Issue 2011-B
	60,000,000	Bond Issue 2009-B, Subseries B-4
November 03, 2011	65,290,000	Bond Issue 2011-C
	34,710,000	Bond Issue 2009-B, Subseries B-5

As of June 30, 2012, all of the bonds issued under issue 2009-B1 had been released, re-designated, and converted into fixed-rate, tax-exempt bonds.

Bond Ratings

For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

There were no revisions to THDA's bond ratings during FY 2013 or FY 2012.

Debt Limits

In accordance with *Tennessee Code Annotated,* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2013	FY 2012	FY 2011	FY 2010 and Prior	Total
Funding Sources:					
THDA	$ 6,500,000	$ 6,500,000	$ 6,000,000	$ 24,000,000	$ 43,000,000
State Appropriation	-	-	-	4,350,000	4,350,000
Totals	**$ 6,500,000**	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 47,350,000**
Approved Uses:					
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 700,000	$ 2,800,000	$ 4,900,000
Ramp Program (UCP)	-	-	-	50,000	50,000
Ramp Program	-	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	150,000	150,000	600,000
Homebuyer Education Initiative	-	-	-	300,000	300,000
Emergency Repairs for Elderly	-	2,000,000	2,000,000	8,000,000	12,000,000
Competitive Grants	4,426,409	3,150,000	3,150,000	16,650,000	27,376,409
Pilot Program Manufactured Hsg	500,000	500,000	-	-	1,000,000
Pending Allocations	723,591	-	-	-	723,591
Totals	**$ 6,500,000**	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 47,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2013, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2013, 30 basis

points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/index.aspx?NID=282.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2013, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,265	554	40,491,422	2.19%
90+ Days Past Due	25,265	1,181	89,505,286	4.67%
In Foreclosure	25,265	550	45,013,301	2.18%

As of June 30, 2012, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,430	561	42,078,643	2.12%
90+ Days Past Due	26,430	1,247	93,521,824	4.72%
In Foreclosure	26,430	166	12,663,174	0.63%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 382,434	$ 219,397
Investments (Note 2)	15,310	578
Receivables:		
Accounts	18,155	18,989
Interest	13,435	12,611
First mortgage loans	51,350	51,702
Due from federal government	14,921	10,991
Total current assets	495,605	314,268
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	21,897	34,218
Investments (Note 2)	200,346	186,562
Investment interest receivable	1,753	1,683
Investments (Note 2)	68,533	40,130
First mortgage loans receivable	1,935,924	2,044,906
Advance to local government	3,034	3,007
Capital assets:		
Furniture and equipment	697	556
Less accumulated depreciation	(503)	(443)
Total noncurrent assets	2,231,681	2,310,619
Total assets	2,727,286	2,624,887
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	2,287	2,445
Total deferred outflows of resources	2,287	2,445
LIABILITIES		
Current liabilities:		
Accounts payable	1,642	1,451
Accrued payroll and related liabilities	535	515
Compensated absences	600	555
Due to primary government	71	71
Interest payable	40,279	43,626
Escrow deposits	172	433
Prepayments on mortgage loans	986	1,414
Due to federal government	17,619	10,408
Bonds payable (Note 4)	241,320	149,235
Total current liabilities	303,224	207,708
Noncurrent liabilities:		
Bonds payable (Note 4)	1,895,486	1,871,067
Compensated absences	630	601
Net OPEB obligation (Note 9)	1,303	1,157
Escrow deposits	2,463	3,298
Total noncurrent liabilities	1,899,882	1,876,123
Total liabilities	2,203,106	2,083,831
NET POSITION		
Net investment in capital assets	194	114
Restricted for single family bond programs (Note 5 and Note 7)	472,570	494,270
Restricted for grant programs (Note 5)	13,382	6,140
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,153
Unrestricted (Note 7)	37,168	39,824
Total net position	$ 526,467	$ 543,501

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
OPERATING REVENUES		
Mortgage interest income	$ 109,158	$ 116,015
Investment income:		
Interest	10,881	11,672
Net increase (decrease) in the fair value of investments	(15,227)	320
Federal grant administration fees	15,586	14,475
Fees and other income	2,279	3,218
Total operating revenues	122,677	145,700
OPERATING EXPENSES		
Salaries and benefits	16,083	15,671
Contractual services	3,930	3,208
Materials and supplies	493	184
Rentals and insurance	115	100
Other administrative expenses	445	482
Other program expenses	9,926	11,727
Interest expense	78,643	86,020
Mortgage service fees	7,291	7,539
Issuance costs	3,639	2,243
Depreciation	60	144
Total operating expenses	120,625	127,318
Operating income	2,052	18,382
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	237,638	260,371
Payment from primary government (Note 12)	-	34,500
Federal grants expenses	(237,352)	(260,587)
Local grants expenses	(19,372)	(14,390)
Total nonoperating revenues (expenses)	(19,086)	19,894
Change in net position	(17,034)	38,276
Total net position, July 1	543,501	519,956
Cumulative effect of a change in accounting principle (Note 3)	-	(14,731)
Total net position, July 1, as restated	543,501	505,225
Total net position, June 30	$ 526,467	$ 543,501

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
Cash flows from operating activities:		
Receipts from customers	$ 429,234	$ 378,193
Receipts from federal government	15,344	15,243
Other miscellaneous receipts	2,279	3,218
Acquisition of mortgage loans	(212,166)	(235,740)
Payments to service mortgages	(7,291)	(7,539)
Payments to suppliers	(14,366)	(15,527)
Payments to federal government	-	(1,216)
Payments to employees	(16,123)	(15,644)
Net cash provided by operating activities	196,911	120,988
Cash flows from non-capital financing activities:		
Operating grants received	241,162	308,398
Negative cash balance implicitly financed (repaid)	-	(10,913)
Proceeds from sale of bonds	456,741	248,382
Operating grants paid	(256,797)	(278,480)
Cost of issuance paid	(3,639)	(2,243)
Principal payments	(336,030)	(372,940)
Interest paid	(86,039)	(91,195)
Net cash provided (used) by non-capital financing activities	15,398	(198,991)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(141)	(100)
Net cash used by capital and related financing activities	(141)	(100)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	287,825	409,752
Purchases of investments	(359,985)	(400,926)
Investment interest received	10,694	12,311
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	14	8
Net cash provided (used) by investing activities	(61,452)	21,145
Net increase (decrease) in cash and cash equivalents	150,716	(56,958)
Cash and cash equivalents, July 1	253,615	310,573
Cash and cash equivalents, June 30	$ 404,331	$ 253,615

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

		2013		2012
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	2,052	$	18,382
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		60		144
Changes in assets and liabilities:				
Decrease in accounts receivable		834		4,758
(increase) decrease in mortgage interest receivable		(709)		183
Decrease in first mortgage loans receivable		109,306		22,790
(Increase) decrease in due from federal government		(242)		768
(Decrease) in accounts payable		(1,258)		(1,460)
Increase in accrued payroll / compensated absences		240		368
(Decrease) in arbitrage rebate liability		-		(1,216)
Investment income included as operating revenue		4,346		(11,992)
Interest expense included as operating expense		78,643		86,020
Issuance cost included as operating expense		3,639		2,243
Total adjustments		194,859		102,606
Net cash provided by operating activities	$	196,911	$	120,988
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	$	(14,037)	$	12,603
Total noncash investing, capital, and financing activities	$	(14,037)	$	12,603

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession, local governments, or one of the three grand divisions of the state, and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

f. Deferred Amount on Refundings and Bond Premiums and Discounts

1. Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

2. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S., public housing bonds secured by contracts with the U.S., direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody’s Investor Service or Standard & Poor's Corporation, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less collected principal.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2013, the bank balance was $18,982,252. At June 30, 2012, the bank balance was $12,042,605. All bank balances at June 30, 2013 and June 30, 2012 were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2013, $18,490,778 was in the BNYM. Of this amount, $18,240,778 exceeded the FDIC insurance coverage. Of the bank balance at June 30, 2012, $11,588,423 was in the BNYM. Of this amount, $11,338,423 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State

Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.treasury.tn.gov.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2013		June 30, 2012	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$183,618,170	2.660	$135,888,316	2.153
U.S. Treasury Coupon	85,574,572	3.899	91,381,418	4.673
U.S. Agency Discount	151,647,000	0.051	0	N/A
Total	$420,839,742	1.972	$227,269,734	1.851

The portfolios include the following investments, stated at par or face value, which have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net position.

Variable Rate Bonds

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 30, 2012. Although these securities were scheduled to mature on January 30, 2017, these bonds were called January 30, 2013. The fair value of these securities on June 30, 2012 was $3,007,326, which is included in U.S. Agency Coupon in the table above.

The agency purchased $4,280,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.93 of par on February 24, 2012. Although these securities were scheduled to mature on December 28, 2026, these bonds were called December 28, 2012. The fair value of these securities on June 30, 2012 was $4,297,377, which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,140,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.875 of par on April 30, 2012. Although these securities were scheduled to mature on October 30, 2019, these bonds were called July 30, 2012. The fair value of these securities on June 30, 2012 was $2,135,998, which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on May 24, 2012. Although these securities were scheduled to mature on November 24, 2017, these bonds were called on November 24, 2012. The fair value of these securities on June 30, 2012 was $1,000,179, which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 14, 2012. Although these

securities were scheduled to mature on June 14, 2027, these bonds were called December 14, 2012. The fair value of these securities on June 30, 2012 was \$5,001,205, which is included in U.S. Agency Coupon in the table above.

The agency purchased \$6,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 28, 2012. Although these securities were scheduled to mature on June 28, 2027, these bonds were called December 28, 2012. The fair value of these securities on June 30, 2012 was \$5,995,374, which is included in U.S. Agency Coupon in the table above.

The agency purchased \$2,350,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.75 of par on June 11, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2013 is \$2,186,370, and on June 30, 2012 was \$2,335,775, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020, to 4.0% on June 11, 2022, to 6.0% on June 11, 2023, to 7.0% on June 11, 2024, to 8.0% on December 11, 2024, to 10.0% on June 11, 2025, to 12.0% on December 11, 2025, to 14.0% on June 11, 2026, and to 16.0% on December 11, 2026.

The agency purchased \$3,210,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on June 28, 2012 and mature on June 27, 2027. The fair value of these securities on June 30, 2013 is \$2,990,898, and on June 30, 2012 was \$3,190,002, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 28, 2015, to 3.0% on June 28, 2018, to 4.0% on June 28, 2021, to 5.0% on June 28, 2023, and to 6.5% on June 28, 2025.

The agency purchased \$3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.12 of par on November 15, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2013, is \$2,791,110 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020, to 4.0% on June 11, 2022, to 6.0% on June 11, 2023, to 7.0% on June 11, 2024, to 8.0% on December 11, 2024, to 10.0% on June 11, 2025, to 12.0% on December 11, 2025, to 14.0% on June 11, 2026, and to 16.0% on December 11, 2026.

The agency purchased \$4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.80 of par on November 8, 2012 and mature on November 8, 2027. The fair value of these securities on June 30, 2013, is \$3,678,796 which is included in U.S. Agency Coupon in the table above. This investment has a

stated coupon rate of 2.0% with a step-up option to 3.0% on November 8, 2017, and to 4.0% on November 8, 2022. This investment is callable quarterly beginning February 8, 2013, and ending November 8, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.45 of par on November 23, 2012 and mature on November 23, 2027. The fair value of these securities on June 30, 2013, is $2,746,311 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.125% on November 23, 2017, to 2.25% on November 23, 2020, to 2.5% on November 23, 2023, to 3.0% on November 23, 2024, to 4.0% on May 23, 2025, to 6.0% on November 23, 2025, to 8.0% on May 23, 2026, to 11.0% on November 23, 2026, and to 14% on May 23, 2027. This investment is callable quarterly beginning May 23, 2013, and ending November 23, 2015.

The agency purchased $2,400,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.65 of par on December 21, 2012 and mature on December 21, 2027. The fair value of these securities on June 30, 2013, is $2,231,131 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on December 21, 2017, to 2.5% on December 21, 2020, to 3.0% on December 21, 2022, to 4.0% on December 21, 2023, to 5.0% on December 21, 2024, to 6.0% on December 21, 2025, to 8.0% on June 21, 2026, to 10.0% on December 21, 2026, and to 12.0% on June 21, 2027. This investment is callable quarterly beginning June 21, 2013, and ending December 21, 2018.

The agency purchased $2,750,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.90 of par on January 30, 2013 and mature on January 30, 2025. The fair value of these securities on June 30, 2013, is $2,612,555 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on January 30, 2018, to 2.5% on January 30, 2021, to 3.0% on January 30, 2022, to 5.0% on January 30, 2023, to 7.0% on July 30, 2023, and to 9.0% on January 30, 2024. This investment is callable quarterly beginning July 30, 2013, and ending October 30, 2016.

The agency purchased $650,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 101.55 of par on September 6, 2012 and mature on August 26, 2025. The fair value of these securities on June 30, 2013, is $651,348 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on August 26, 2013, to 5.0% on August 26, 2016, to 6.0% on August 26, 2019, and to 7.0% on

August 26, 2022. This investment is callable August 26, 2013, August 26, 2016, August 26, 2019, and August 26, 2022.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.18 of par on November 7, 2012 and mature on June 28, 2027. The fair value of these securities on June 30, 2013, is $1,426,929 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on June 28, 2017, to 5.0% on June 28, 2024, and to 6.5% on June 28, 2026. This investment is callable quarterly beginning December 28, 2012, and ending December 28, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on August 27, 2012 and mature on August 27, 2027. The fair value of these securities on June 30, 2013, is $1,919,370 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 2.5% on August 27, 2015, to 3.5% on August 27, 2018, to 4.5% on August 27, 2021, and to 5.5% on August 27, 2024. This investment is callable quarterly beginning August 27, 2012, and ending November 27, 2015.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012 and mature on December 27, 2027. The fair value of these securities on June 30, 2013, is $4,694,220 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.0% on June 27, 2013, and to 3.15% on December 27, 2013. This investment is callable quarterly beginning June 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012 and mature on December 27, 2017. The fair value of these securities on June 30, 2013, is $2,945,187 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.6% with a step-up option to 0.7% on December 27, 2014, to 1.0% on December 27, 2015, to 1.5% on December 27, 2016, and to 3.0% on June 27, 2017. This investment is callable quarterly beginning December 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 28, 2012 and mature on December 28, 2027. The fair value of these securities on June 30, 2013, is $2,813,145 which is included in U.S. Agency Coupon in the table above. This

investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on December 28, 2017, to 4.0% on December 28, 2020, to 5.0% on December 28, 2024, and to 6.0% on December 28, 2025. This investment is callable quarterly beginning June 28, 2013, and ending December 28, 2017.

Credit Risk Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2013 and June 30, 2012 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2013

			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury**[1]	**AA+**	**A-1**	**AA-2**	**Not Rated**[2]
U.S. Agency Coupon	$183,618,170		$167,220,366		$5,114,633	$11,283,171
U.S. Treasury Coupon	85,574,572	$85,574,572				
U.S. Agency Discount	151,647,000			$131,647,320		19,999,680
Total	$420,839,742	$85,574,572	$167,220,366	$131,647,320	$5,114,633	$31,282,851

June 30, 2012

			Credit Quality Rating		
Investment Type	**Fair Value**	**U.S. Treasury**[1]	**AA+**	**AA-2**	**Not Rated**[2]
U.S. Agency Coupon	$135,888,316		$118,089,513	$5,237,564	$12,561,239
U.S. Treasury Coupon	91,381,418	$91,381,418			
Repurchase Agreements	110,000,000				110,000,000
Total	$337,269,734	$91,381,418	$118,089,513	$5,237,564	$122,561,239

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

Concentration of Credit Risk   Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2013		June 30, 2012	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$173,049,950	41.12	$20,608,842	6.11
Federal Home Loan Mortgage Corp	$42,892,295	10.19	$22,155,470	6.57
Federal National Mortgage Assoc.	$95,869,861	22.78	$73,997,504	21.94
Repurchase Agreements – UBS	$0	N/A	$110,000,000	32.61

NOTE 3. ACCOUNTING CHANGE

During the year ended June 30, 2013, the agency implemented GASB Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"; GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"; and GASB Statement 65, "Items Previously Reported as Assets and Liabilities".

Implementation of GASB 62 did not have any financial reporting impact to the agency. Implementation of GASB 63 required the reclassification of net assets to net position, and it also required the deferred amount on refundings to be classified as a deferred outflow of resources.

Implementation of GASB 65 recognizes bond cost of issuance as an expense; therefore the adoption of this statement resulted in the write-off of unamortized cost of issuance as of July 1, 2011. Cost of issuance incurred by the agency is reported as expense in the fiscal years ending June 30, 2012 and June 30, 2013. The cumulative effect of this change in accounting principle decreased the net position at July 1, 2011 by $14,730,999. The financial statements for the fiscal year ending June 30, 2012 have been restated.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$48,965	$61,400

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
HOMEOWNERSHIP PROGRAM BONDS					
2003-1	7/1/2004-7/1/2033	$50,000	1.20 to 5.10	$ -0-	$17,550
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	-0-	25,210
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	-0-	28,115
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	28,185	34,125
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	38,435	44,830
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	39,070	47,545
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	46,605	55,550
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	43,960	54,970
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	44,500	55,975
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	41,175	53,450
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	49,935	62,075
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	53,755	64,530
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	71,385	83,880
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	81,950	97,925
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	90,360	102,995
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	33,675	41,610
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	11,915	28,175
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	47,790	58,695
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	2,975	8,105
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	36,870	43,490
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	59,395	65,220
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	87,655	100,050
2011-1	7/1/2012-7/1/2042	141,255	0.60 to 4.65	125,005	138,915
2012-1	1/1/2013-7/1/2042	133,110	0.80 to 4.50	127,265	-0-
2012-2	7/1/2013-7/1/2043	97,625	0.50 to 4.00	96,960	-0-
Total Homeownership Program Bonds		$2,332,690		$1,258,820	$1,312,985
Plus: Unamortized Bond Premiums				14,419	12,119
Less: Unamortized Bond Discount				(218)	(273)
Net Homeownership Program Bonds				$1,273,021	$1,324,831

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.90 to 4.625	$83,295	$91,845
2010-A	1/1/2011-7/1/2041	160,000	0.60 to 5.00	133,945	146,225
2010-B	7/1/2011–7/1/2041	100,000	0.45 to 4.50	91,245	96,795
2011-A	7/1/2011-7/1/2041	100,000	0.45 to 4.50	90,730	97,475
2011-B	7/1/2012-7/1/2041	100,000	0.25 to 4.50	96,980	99,575
2011-C	7/1/2012-7/1/2041	100,000	0.40 to 4.30	97,020	99,995
Total Housing Finance Program Bonds		$660,000		$593,215	$631,910
Plus: Unamortized Bond Premiums				1,829	2,161
Net Housing Finance Program Bonds				$595,044	$634,071

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
RESIDENTIAL FINANCE PROGRAM BONDS					
2013-1	1/1/2014-7/1/2043	$215,905	0.40 to 4.00	$215,905	$ -0-
Plus: Unamortized Bond Premiums				3,871	-0-
Net Residential Finance Program Bonds				$219,776	$ -0-
Net Total All Issues				$2,136,806	$2,020,302

Housing Finance Program Bonds The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of $34,710,000. The $34,710,000 was blended with the market rate 2011-C bonds in the amount of $65,290,000 for a total of $100,000,000.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2013, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2014	$238,985	$78,133	$317,118
2015	53,630	74,673	128,303
2016	52,575	73,392	125,967
2017	53,870	71,970	125,840
2018	55,030	70,361	125,391
2019 – 2023	230,070	325,553	555,623
2024 – 2028	302,590	273,929	576,519
2029 – 2033	228,440	214,564	443,004
2034 – 2038	289,200	166,610	455,810
2039 – 2043	544,490	58,617	603,107
2044	68,025	1,342	69,367
Total	$2,116,905	$1,409,144	$3,526,049

c. Redemption of Bonds and Notes

During the year ended June 30, 2013, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,235,000, in the Homeownership Program in the amount of $199,355,000 and in the Housing Finance Program in the amount of $31,315,000. The respective carrying values of the bonds were $10,235,000, $202,501,590 and $31,515,181. This resulted in revenue to the Homeownership Program of $3,146,590 and to the Housing Finance Program of $200,181.

On July 19, 2012, the agency issued $133,110,000 in Homeownership Program Bonds, Issue 2012-1. On September 1, 2012, the agency used $43,865,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $43,865,000 early redemption). The carrying amount of these bonds was $43,865,000. The refunding reduced the agency's debt service by $10,700,210 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $6,206,292.

On November 15, 2012, the agency issued $97,625,000 in Homeownership Program Bonds, Issue 2012-2. On January 1, 2013, the agency used $22,625,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $22,625,000 early redemption). The carrying amount of these bonds was $22,625,000. The refunding reduced the agency's debt service by $8,510,283 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $3,758,068.

During the year ended June 30, 2012, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11,200,000, in the Homeownership Program in the amount of $180,970,000 and in the Housing Finance Program in the amount of $17,055,000. The respective carrying values of the bonds were $11,157,769, $183,542,332 and $17,099,460. This resulted in an expense to the Mortgage Finance Program of $42,231 and revenue to the Homeownership Program of $2,572,332 and to the Housing Finance Program of $44,460.

On December 1, 2011, the agency issued $141,255,000 in Homeownership Program Bonds, Issue 2011-1. On January 1, 2012, the agency used $135,095,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $135,095,000 early redemption). The carrying amount of these bonds was $134,393,628. The refunding resulted in a difference of $701,372 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $37,847,406 over the next 18 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $17,103,985.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2013.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Bonds Payable	$2,006,295	$446,640	($336,030)	$2,116,905	$241,320
Plus: Unamortized Bond Premiums	14,280	10,101	(4,262)	20,119	-0-
Less: Unamortized Bond Discounts	(273)	-0-	55	(218)	-0-
Compensated Absences	1,156	74	(-0-)	1,230	600
Escrow Deposits	3,731	1,610	(2,706)	2,635	172
Total	$2,025,189	$458,425	($342,943)	$2,140,671	$242,092

The following table is a summary of the long-term liability activity for the year ended June 30, 2012.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Notes Payable	$3,250	$-0-	($3,250)	$-0-	$-0-
Bonds Payable	2,129,440	246,545	(369,690)	2,006,295	149,235
Plus: Unamortized Bond Premiums	17,120	1,837	(4,677)	14,280	-0-
Less: Unamortized Bond Discounts	(322)	-0-	49	(273)	-0-
Compensated Absences	994	162	(-0-)	1,156	555
Escrow Deposits	4,776	1,484	(2,529)	3,731	433
Arbitrage Rebate Payable	1,217	418	(1,635)	-0-	-0-
Total	$2,156,475	$250,446	($381,732)	$2,025,189	$150,223

e. Notes Issued and Outstanding

Promissory Note On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest was charged quarterly at 3%. The principal matured and was paid on December 22, 2011. The activity of the promissory note is included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET POSITION

The amount shown on the Statement of Net Position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 15.03% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were $1,692,847 $1,632,095, and $1,585,654. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

NOTE 8. INSURANCE-RELATED ACTIVITIES

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The

amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2013, is presented in the *Tennessee Comprehensive Annual Financial Report*. The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only other postemployment benefit (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* Section 8-27-101. Prior to reaching the age of 65, members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for

healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees participating in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan, adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20, but less than 30, years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retirees 65 years of age or older are provided flat-rate premium subsidies, based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 but less than 30 years of service, $37.50; and retirees with 15, but less than 20 years of service, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2013	June 30, 2012
Annual Required Contribution (ARC)	$362	$393
Interest on the Net OPEB Obligation	46	41
Adjustment to the ARC	(49)	(44)
Annual OPEB cost	359	390
Amount of contribution	(213)	(227)
Increase in Net OPEB Obligation	146	163
Net OPEB obligation-beginning of year	1,157	994
Net OPEB obligation-end of year	$1,303	$1,157

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2013	State Employee Group Plan	$ 359	60%	$ 1,303
6/30/2012	State Employee Group Plan	$ 390	58%	$ 1,157
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994

Funded Status and Funding Progress The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2011, was as follows (thousands):

Actuarial valuation date	7/01/2011
Actuarial accrued liability (AAL)	$ 2,919
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 2,919
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,818
UAAL as a percentage of covered payroll	30%

Actuarial valuations involve estimates of the value of reported amounts and probability assumptions far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent in fiscal year 2013. The rate decreases to 8.25 percent in fiscal year 2014, and then reduces by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued

liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2013, the State of Tennessee made payments of $4,715 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2012, made payments of $2,980. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. NATIONAL MORTGAGE SETTLEMENT FUNDS

The State of Tennessee received $41,207,810 from the United States Attorney General for the National Mortgage Settlement. In June 2012, the agency received $34,500,000 of the $41,207,810. The agency plans to use those funds to expand the Keep My Tennessee Home financial assistance program to include long term medical hardships and to provide foreclosure counseling.

NOTE 13. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2013	Mortgage Finance Program		$ 48,965,000
	Homeownership Program		110,810,000
	Housing Finance Program		24,060,000
		Total	$183,835,000

b. Residential Finance Program Bonds, Issue 2013-2, were authorized by the Board of directors on July 23, 2013, not to exceed $125,000,000.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

August 1, 2013	Homeownership Program		$ 21,110,000
	Housing Finance Program		5,795,000
	Residential Finance Program		5,620,000
		Total	$32,525,000

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2013	Homeownership Program		$ 38,165,000
	Housing Finance Program		10,820,000
	Residential Finance Program		2,935,000
		Total	$51,920,000

e. *Tennessee Code Annotated* Section 13-23-101 *et seq.* was amended to revise the composition of the Board of Directors, effective July 1, 2013.

NOTE 14. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

a. Residential Finance Program Bonds, Issue 2013-2 were sold on November 19, 2013. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2013-2	7/1/2014-7/1/2043	$121,300	0.450 to 4.650

b. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

December 1, 2013	Homeownership Program	$ 33,770,000
	Housing Finance Program	8,035,000
	Residential Finance Program	2,055,000
	Total	$43,860,000

c. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

January 1, 2014	Homeownership Program	$ 45,670,000
	Housing Finance Program	3,845,000
	Residential Finance Program	1,400,000
	Total	$50,915,000

d. Residential Finance Program Bonds, Issue 2014-1, were authorized by the Board of directors on January 30, 2014, not to exceed $150,000,000.

e. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

April 1, 2014	Homeownership Program	$ 22,930,000
	Housing Finance Program	7,070,000
	Residential Finance Program	2,175,000
	Total	$32,175,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%
7/1/2011	State Employee Group Plan	$ -0-	$ 2,919	$ 2,919	0%	$ 9,818	30%

Exhibit A

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 16,407	$ 71,109	$ 172,570	$ 52,682	$ 69,666	$ 382,434
Investments	-	236	76	-	14,998	15,310
Receivables:						
Accounts	1	889	13,953	3,297	15	18,155
Interest	14	702	9,170	3,466	83	13,435
First mortgage loans	155	4,568	34,612	11,073	942	51,350
Due from federal government	14,921	-	-	-	-	14,921
Due from other funds	9,335	30	-	-	-	9,365
Total current assets	40,833	77,534	230,381	70,518	85,704	504,970
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	17,827	32	167	51	3,820	21,897
Investments	-	13,048	163,796	20,472	3,030	200,346
Investment Interest receivable	-	118	1,522	111	2	1,753
Investments	-	19,755	29,119	15,040	4,619	68,533
First mortgage loans receivable	1,218	126,080	1,208,420	545,288	54,918	1,935,924
Advance to local government	3,034	-	-	-	-	3,034
Capital assets:						
Furniture and equipment	697	-	-	-	-	697
Less accumulated depreciation	(503)	-	-	-	-	(503)
Total noncurrent assets	22,273	159,033	1,403,024	580,962	66,389	2,231,681
Total assets	63,106	236,567	1,633,405	651,480	152,093	2,736,651
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	1,850	437	-	-	2,287
Total deferred outflows of resources	-	1,850	437	-	-	2,287
LIABILITIES						
Current liabilities:						
Accounts payable	1,552	4	57	27	2	1,642
Accrued payroll and related liabilities	535	-	-	-	-	535
Compensated absences	600	-	-	-	-	600
Due to primary government	71	-	-	-	-	71
Interest payable		1,249	28,037	10,430	563	40,279
Escrow deposits	-	172	-	-	-	172
Prepayments on mortgage loans		49	661	245	31	986
Due to federal government	17,619	-			-	17,619
Due to other funds	-	-	9,365	-	-	9,365
Bonds payable	-	48,965	149,535	35,165	7,655	241,320
Total current liabilities	20,377	50,439	187,655	45,867	8,251	312,589
Noncurrent liabilities:						
Bonds payable	-	-	1,123,487	559,878	212,121	1,895,486
Compensated absences	630	-	-	-	-	630
Net OPEB obligation	1,303	-	-	-	-	1,303
Escrow deposits	281	2,182	-	-	-	2,463
Total noncurrent liabilities	2,214	2,182	1,123,487	559,878	212,121	1,899,882
Total liabilities	22,591	52,621	1,311,142	605,745	220,372	2,212,471
NET POSITION						
Net investment in capital assets	194	-	-	-	-	194
Restricted for single family bond programs	-	172,414	322,700	45,735	(68,279)	472,570
Restricted for grant programs	-	13,382	-	-	-	13,382
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Unrestricted	37,168	-	-	-	-	37,168
Total net position	$ 40,515	$ 185,796	$ 322,700	$ 45,735	$ (68,279)	$ 526,467

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	$ 56	$ 5,406	$ 74,057	$ 29,417	$ 222	$ 109,158
Investment income:						
Interest	46	1,309	8,704	812	10	10,881
Net (decrease) in the fair value of investments	-	(1,812)	(11,724)	(1,608)	(83)	(15,227)
Federal grant administration fees	15,586	-	-	-	-	15,586
Fees and other income	1,845	358	-	-	76	2,279
Total operating revenues	17,533	5,261	71,037	28,621	225	122,677
OPERATING EXPENSES						
Salaries and benefits	16,083	-	-	-	-	16,083
Contractual services	3,930	-	-	-	-	3,930
Materials and supplies	493	-	-	-	-	493
Rentals and insurance	115	-	-	-	-	115
Other administrative expenses	445	-	-	-	-	445
Other program expenses	3,557	3,074	3,008	286	1	9,926
Interest expense	-	2,819	54,352	20,921	551	78,643
Mortgage service fees	-	396	4,750	2,127	18	7,291
Issuance costs	-	-	1,960	-	1,679	3,639
Depreciation	60	-	-	-	-	60
Total operating expenses	24,683	6,289	64,070	23,334	2,249	120,625
Operating income (loss)	(7,150)	(1,028)	6,967	5,287	(2,024)	2,052
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	237,636	2	-	-	-	237,638
Payment from primary government	-	-	-	-	-	-
Federal grants expenses	(237,333)	(19)	-	-	-	(237,352)
Local grants expenses	(11,417)	-	(7,955)	-	-	(19,372)
Total nonoperating revenues (expenses)	(11,114)	(17)	(7,955)	-	-	(19,086)
Income (loss) before transfers	(18,264)	(1,045)	(988)	5,287	(2,024)	(17,034)
Transfers (to) other funds	-	-	(11,424)	(1,652)	(66,255)	(79,331)
Transfers from other funds	15,688	63,643	-	-	-	79,331
Change in net position	(2,576)	62,598	(12,412)	3,635	(68,279)	(17,034)
Total net position, July 1	43,091	123,198	335,112	42,100	-	543,501
Total net position, June 30	$ 40,515	$ 185,796	$ 322,700	$ 45,735	$ (68,279)	$ 526,467

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	$ 180	$ 20,876	$ 322,786	$ 85,147	$ 245	$ 429,234
Receipts from federal government	15,344	-	-	-	-	15,344
Receipts from other funds	-	-	2,790	-	-	2,790
Other miscellaneous receipts	1,845	358	-	-	76	2,279
Acquisition of mortgage loans	-	(7,058)	(149,162)	-	(55,946)	(212,166)
Payments to service mortgages	-	(396)	(4,750)	(2,127)	(18)	(7,291)
Payments to suppliers	(7,806)	(3,262)	(3,006)	(292)	-	(14,366)
Payments to other funds	(2,761)	(29)	-	-	-	(2,790)
Payments to employees	(16,123)	-	-	-	-	(16,123)
Net cash provided (used) by operating activities	(9,321)	10,489	168,658	82,728	(55,643)	196,911
Cash flows from non-capital financing activities:						
Operating grants received	241,160	2	-	-	-	241,162
Transfers in (out)	15,688	63,643	(11,424)	(1,652)	(66,255)	-
Proceeds from sale of bonds	-	-	236,952	-	219,789	456,741
Operating grants paid	(248,823)	(19)	(7,955)	-	-	(256,797)
Cost of issuance paid	-	-	(1,960)	-	(1,679)	(3,639)
Principal payments	-	(12,435)	(284,900)	(38,695)	-	(336,030)
Interest paid	-	(3,000)	(60,872)	(22,166)	(1)	(86,039)
Net cash provided (used) by non-capital financing activities	8,025	48,191	(130,159)	(62,513)	151,854	15,398
Cash flows from capital and related financing activities:						
Purchases of capital assets	(141)	-	-	-	-	(141)
Net cash used by capital and related financing activities	(141)	-	-	-	-	(141)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	48,776	186,776	63,704	-	299,256
Purchases of investments	-	(62,946)	(211,487)	(74,250)	(22,733)	(371,416)
Investment interest received	46	1,321	8,556	766	5	10,694
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	10	1	3	14
Net cash provided (used) by investing activities	46	(12,849)	(16,145)	(9,779)	(22,725)	(61,452)
Net increase (decrease) in cash and cash equivalents	(1,391)	45,831	22,354	10,436	73,486	150,716
Cash and cash equivalents, July 1	35,625	25,310	150,383	42,297	-	253,615
Cash and cash equivalents, June 30	$ 34,234	$ 71,141	$ 172,737	$ 52,733	$ 73,486	$ 404,331

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (7,150)	$ (1,028)	$ 6,967	$ 5,287	$ (2,024)	$ 2,052
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	60	-	-	-	-	60
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(1)	(246)	1,170	(74)	(15)	834
(Increase) decrease in mortgage interest receivable	1	84	(176)	(538)	(80)	(709)
(Increase) decrease in first mortgage loans receivable	154	9,660	98,873	56,479	(55,860)	109,306
Decrease in due from federal government	(242)	-	-	-	-	(242)
Decrease in interfund receivables	-	-	2,790	-	-	2,790
(Decrease) in interfund payables	(2,761)	(29)	-	-	-	(2,790)
Increase (decrease) in accounts payable	424	(1,274)	(298)	(143)	33	(1,258)
Increase in accrued payroll / compensated absences	240	-	-	-	-	240
Investment income included as operating revenue	(46)	503	3,020	796	73	4,346
Interest expense included as operating expense	-	2,819	54,352	20,921	551	78,643
Issuance cost included as operating expense	-	-	1,960	-	1,679	3,639
Total adjustments	(2,171)	11,517	161,691	77,441	(53,619)	194,859
Net cash provided (used) by operating activities	$ (9,321)	$ 10,489	$ 168,658	$ 82,728	$ (55,643)	$ 196,911
Noncash investing, capital, and financing activities:						
Increase in fair value of investments	$ -	$ (1,560)	$ (11,008)	$ (1,385)	(84)	$ (14,037)
Total noncash investing, capital, and financing activities	$ -	$ (1,560)	$ (11,008)	$ (1,385)	$ (84)	$ (14,037)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION - MORTGAGE FINANCE PROGRAM
JUNE 30, 2013
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 62,838	$ 8,062	$ 70,900	$ 209	$ 71,109
Investments	95	122	217	19	236
Receivables:					
Accounts	585	299	884	5	889
Interest	643	57	700	2	702
First mortgage loans	4,283	285	4,568	-	4,568
Due from other funds	-	30	30	-	30
Total current assets	68,444	8,855	77,299	235	77,534
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	32	-	32	-	32
Investments	13,048	-	13,048	-	13,048
Investment interest receivable	118	-	118	-	118
Investments	2,781	16,177	18,958	797	19,755
First mortgage loans receivable	120,720	5,360	126,080	-	126,080
Total noncurrent assets	136,699	21,537	158,236	797	159,033
Total assets	205,143	30,392	235,535	1,032	236,567
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	1,850	-	1,850	-	1,850
Total deferred outflows of resources	1,850	-	1,850	-	1,850
LIABILITIES					
Current liabilities:					
Accounts payable	2	2	4	-	4
Interest payable	1,249	-	1,249	-	1,249
Escrow deposits	-	-	-	172	172
Prepayments on mortgage loans	46	3	49	-	49
Bonds payable	48,965	-	48,965	-	48,965
Total current liabilities	50,262	5	50,267	172	50,439
Noncurrent liabilities:					
Escrow deposits	-	1,436	1,436	746	2,182
Total noncurrent liabilities	-	1,436	1,436	746	2,182
Total liabilities	50,262	1,441	51,703	918	52,621
NET POSITION					
Restricted for single family bond programs	156,731	15,569	172,300	114	172,414
Restricted for grant programs	-	13,382	13,382	-	13,382
Total net position	$ 156,731	$ 28,951	$ 185,682	$ 114	$ 185,796

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

December 31, 2013

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

December 31, 2013
(with restated comparative totals as of December 31, 2012)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 12/31/2013	Total 12/31/2012
ASSETS							
Current assets:							
Cash and cash equivalents	$ 15,894	$ 11,429	$ 65,603	$ 34,819	$ 79,415	$ 207,160	$ 304,662
Investments	-	65	25	-	-	90	-
Receivables:							
Accounts	2	697	22,229	8,001	1,322	32,251	25,806
Interest	8	450	8,746	3,766	1,083	14,053	13,186
First mortgage loans	5	2,065	32,256	10,835	6,705	51,866	51,773
Due from federal government	14,624	-	-	-	-	14,624	12,595
Due from other funds	2,032	33	-	-	-	2,065	6,575
Total current assets	32,565	14,739	128,859	57,421	88,525	322,109	414,597
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	6,926	32	1,620	409	1,559	10,546	22,838
Investments	-	-	160,099	19,946	9,349	189,394	194,278
Investment interest receivable	-	-	1,515	122	114	1,751	1,690
Investments	-	30,459	11,560	8,323	301	50,643	31,231
First mortgage loans receivable	1,203	65,994	1,087,676	517,191	270,027	1,942,091	2,002,862
Advance to local government	3,046	-	-	-	-	3,046	3,018
Capital assets:							
Furniture and equipment	697	-	-	-	-	697	556
Less accumulated depreciation	(503)	-	-	-	-	(503)	(443)
Total noncurrent assets	11,369	96,485	1,262,470	545,991	281,350	2,197,665	2,256,030
Total assets	43,934	111,224	1,391,329	603,412	369,875	2,519,774	2,670,627
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amount on refundings	-	-	387	-	975	1,362	2,399
Total deferred outflows of resources	-	-	387	-	975	1,362	2,399
LIABILITIES							
Current liabilities:							
Accounts payable	1	2	-	-	-	3	2
Compensated absences	523	-	-	-	-	523	560
Due to federal government	6,086	-	-	-		6,086	9,368
Interest payable	-	-	22,984	9,603	3,655	36,242	41,141
Escrow deposits	-	45	-	-	-	45	461
Prepayments on mortgage loans	-	21	752	314	213	1,300	1,457
Due to other funds	-	-	2,065	-	-	2,065	6,575
Bonds payable	-	-	64,995	10,105	3,725	78,825	129,355
Total current liabilities	6,610	68	90,796	20,022	7,593	125,089	188,919
Noncurrent liabilities:							
Bonds payable	-	-	1,001,623	535,909	329,687	1,867,219	1,937,903
Compensated absences	561	-	-	-	-	561	590
Net OPEB obligation	1,303	-	-	-	-	1,303	1,157
Escrow deposits	248	1,838	-	-	-	2,086	2,184
Total noncurrent liabilities	2,112	1,838	1,001,623	535,909	329,687	1,871,169	1,941,834
Total liabilities	8,722	1,906	1,092,419	555,931	337,280	1,996,258	2,130,753
NET POSITION							
Net investment in capital assets	195	-	-	-	-	195	113
Restricted for single family bond programs	-	94,956	299,297	47,481	33,570	475,304	487,092
Restricted for grant programs	-	14,362	-	-	-	14,362	15,424
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	-	3,154	3,154
Unrestricted	31,863	-	-	-	-	31,863	36,490
Total net position	$ 35,212	$ 109,318	$ 299,297	$ 47,481	$ 33,570	$ 524,878	$ 542,273

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2013
(with restated comparative totals for the six months ended December 31, 2012)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 12/31/2013	Total 12/31/2012
OPERATING REVENUES							
Mortgage interest income	$ 43	$ 659	$ 32,350	$ 13,644	$ 5,219	$ 51,915	$ 55,880
Investment income:							
Interest	-	634	4,186	408	155	5,383	5,573
Net increase (decrease) in the fair value of investments	-	(553)	(2,266)	(248)	101	(2,966)	(3,565)
Federal grant administration fees	8,393	-	-	-	-	8,393	7,134
Fees and other income	1,126	3	-	-	-	1,129	935
Total operating revenues	9,562	743	34,270	13,804	5,475	63,854	65,957
OPERATING EXPENSES							
Salaries and benefits	8,169	-	-	-	-	8,169	7,949
Contractual services	3,158	-	1	-	-	3,159	1,091
Materials and supplies	1,221	-	-	-	-	1,221	86
Rentals and insurance	57	-	-	-	-	57	61
Other administrative expenses	225	-	-	-	-	225	207
Other program expenses	1,909	371	825	140	102	3,347	4,524
Interest expense	-	814	21,641	9,509	3,542	35,506	40,043
Mortgage service fees	-	84	2,107	969	361	3,521	3,697
Issuance costs	-	-	-	-	888	888	1,900
Total operating expenses	14,739	1,269	24,574	10,618	4,893	56,093	59,558
Operating income (loss)	(5,177)	(526)	9,696	3,186	582	7,761	6,399
NONOPERATING REVENUES (EXPENSES)							
Federal grants revenue	128,023	-	-	-	-	128,023	113,932
Other grant revenue	-	-	-	-	-	-	17
Federal grants expenses	(127,513)	-	-	-	-	(127,513)	(113,601)
Local grants expenses	(5,796)	-	(4,064)	-	-	(9,860)	(7,975)
Total nonoperating revenues (expenses)	(5,286)	-	(4,064)	-	-	(9,350)	(7,627)
Income (loss) before transfers	(10,463)	(526)	5,632	3,186	582	(1,589)	(1,228)
Transfers (to) other funds	-	(75,952)	(29,035)	(1,440)	-	(106,427)	(12,862)
Transfers from other funds	5,160	-	-	-	101,267	106,427	12,862
Change in net position	(5,303)	(76,478)	(23,403)	1,746	101,849	(1,589)	(1,228)
Total net position, July 1	40,515	185,796	322,700	45,735	(68,279)	526,467	543,501
Total net position, End of period	$ 35,212	$ 109,318	$ 299,297	$ 47,481	$ 33,570	$ 524,878	$ 542,273

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2013
(with restated comparative totals for the six months ended December 31, 2012)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 12/31/2013	Total 12/31/2012
Cash flows from operating activities:							
Receipts from customers	$ 168	$ 66,809	$ 148,690	$ 37,016	$ -	$ 252,683	$ 203,258
Receipts from federal government	8,335	-	-	-	-	8,335	7,840
Receipts from other funds	7,303	-	-	-	-	7,303	17
Other miscellaneous receipts	1,126	3	-	-	-	1,129	935
Acquisition of mortgage loans	-	(3,471)	(1,165)	-	(139,636)	(144,272)	(113,904)
Payments to service mortgages	-	(84)	(2,107)	(969)	(361)	(3,521)	(3,697)
Payments to suppliers	(7,292)	(373)	(883)	(167)	(78,248)	(86,963)	(7,023)
Payments to other funds	-	(3)	(7,300)	-	-	(7,303)	(17)
Payments to employees	(8,979)	-	-	-	-	(8,979)	(8,093)
Net cash provided (used) by operating activities	661	62,881	137,235	35,880	(218,245)	18,412	79,316
Cash flows from non-capital financing activities:							
Operating grants received	116,773	-	-	-	-	116,773	110,529
Transfers in (out)	5,160	(74,915)	(29,035)	(1,440)	100,230	-	-
Proceeds from sale of bonds	-	-	-	-	124,469	124,469	236,952
Operating grants paid	(134,008)	-	(4,064)	-	-	(138,072)	(122,347)
Cost of issuance paid	-	-	-	-	(888)	(888)	(1,900)
Principal payments	-	(48,965)	(203,855)	(48,710)	(10,610)	(312,140)	(187,735)
Interest paid	-	(1,249)	(29,193)	(10,656)	(611)	(41,709)	(44,745)
Net cash provided (used) by non-capital financing activities	(12,075)	(125,129)	(266,147)	(60,806)	212,590	(251,567)	(9,246)
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	-	8,017	36,805	8,412	21,045	74,279	197,995
Purchases of investments	-	(6,055)	(17,765)	(1,417)	(7,948)	(33,185)	(199,805)
Investment interest received	-	606	4,357	426	45	5,434	5,618
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	1	-	1	2	7
Net cash used by investing activities	-	2,568	23,398	7,421	13,143	46,530	3,815
Net increase (decrease) in cash and cash equivalents	(11,414)	(59,680)	(105,514)	(17,505)	7,488	(186,625)	73,885
Cash and cash equivalents, July 1	34,234	71,141	172,737	52,733	73,486	404,331	253,615
Cash and cash equivalents, End of period	$ 22,820	$ 11,461	$ 67,223	$ 35,228	$ 80,974	$ 217,706	$ 327,500

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2013
(with restated comparative totals for the six months ended December 31, 2012)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 12/31/2013	Total 12/31/2012
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	$ (5,177)	$ (526)	$ 9,696	$ 3,186	$ 582	$ 7,761	$ 6,399
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(1)	192	(8,276)	(4,704)	(1,307)	(14,096)	(6,817)
(Increase) decrease in mortgage interest receivable	6	398	260	(328)	(1,002)	(666)	(627)
(Increase) decrease in first mortgage loans receivable	154	62,589	123,100	28,335	(220,872)	(6,694)	41,961
(Increase) decrease in due from federal government	(58)	-	-	-	-	(58)	706
Decrease in interfund receivables	7,303	-	-	-	-	7,303	17
(Decrease) in interfund payables	-	(3)	(7,300)	-	-	(7,303)	(17)
Increase (decrease) in accounts payable	(886)	(502)	34	42	180	(1,132)	(1,720)
(Decrease) in accrued payroll / compensated absences	(680)	-	-	-	-	(680)	(521)
Investment income included as operating revenue	-	(81)	(1,920)	(160)	(256)	(2,417)	(2,008)
Interest expense included as operating expense	-	814	21,641	9,509	3,542	35,506	40,043
Issuance cost included as operating expense	-	-	-	-	888	888	1,900
Total adjustments	5,838	63,407	127,539	32,694	(218,827)	10,651	72,917
Net cash provided (used) by operating activities	$ 661	$ 62,881	$ 137,235	$ 35,880	$ (218,245)	$ 18,412	$ 79,316
Noncash investing, capital, and financing activities:							
Increase (decrease) in fair value of investments	-	891	(15,633)	1,209	38	(13,495)	(2,682)
Total noncash investing, capital, and financing activities	$ -	$ 891	$ (15,633)	$ 1,209	$ 38	$ (13,495)	$ (2,682)

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution are expected to be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price. However, under the General Resolution, some or all of these requirements may be modified by a Supplemental Resolution with respect to Program Loans financed with the proceeds of Bonds subsequently issued pursuant to such Supplemental Resolution.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien or other approved lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank and Magna Bank (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 83% of THDA's entire portfolio of mortgage loans. Magna Bank services the remainder. THDA itself is also permitted to service Program Loans on limited basis. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA.

The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

2013 GENERAL RESOLUTION

This Appendix D includes the General Residential Finance Program Bond Resolution (the "2013 General Resolution") adopted by the THDA Board of Directors on January 29, 2013, as amended and supplemented by the Bond Finance Committee of the THDA Board of Directors on April 18, 2013.

TENNESSEE HOUSING DEVELOPMENT AGENCY

General Residential Finance Program Bond Resolution

Adopted January 29, 2013
as amended and supplemented
by the Bond Finance Committee of
THDA on April 18, 2013

ARTICLE I
SHORT TITLE, DEFINITIONS AND INTERPRETATION

ARTICLE II
TERMS OF BONDS

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

ARTICLE IV
APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

ARTICLE V
FUNDS

ARTICLE VI
REDEMPTION OF BONDS

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General Residential Finance Program Bond Resolution

BE IT RESOLVED *by the Board of Directors of THDA as follows:*

ARTICLE I

SHORT TITLE, DEFINITIONS AND INTERPRETATION

Section 1.1. Short Title. This resolution may hereafter be cited by THDA and is hereinafter sometimes referred to as the "General Residential Finance Program Bond Resolution."

Section 1.2. Definitions. In this Resolution, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means one or more, as the case may be, of the Accounts established pursuant to this Resolution.

"*Accountant*" means the department of audit, division of state audit, in the office of the Comptroller of the Treasury of the State or an independent certified public accountant or firm of independent certified public accountants as may be selected in accordance with applicable laws and may be the accountant or firm of accountants who regularly audit the books and accounts of THDA.

"*Act*" means the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, Sections 13-23-01 et seq., as amended.

"*Aggregate Debt Service*" means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

"*Appreciation Bond*" means any Bond whose Issue Amount is less than 97.5% of the Maturity Amount.

"*Authorized Officer*" means the Chairman and Executive Director of THDA and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of THDA then authorized to perform such act or discharge such duty.

"*Bond" or "Bonds"* means any Residential Finance Program Bond authenticated and delivered under this Resolution and issued under a Supplemental Resolution.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by THDA.

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond means the registered owner of any Outstanding Bond.

"*Bond Reserve Fund*" means the Bond Reserve Fund established pursuant to Section 5.1.

"*Bond Reserve Fund Requirement*" means, as of any date of calculation, the greater of (i) an amount equal to the aggregate of the respective amounts for each Series of Bonds, if any, established in the Supplemental Resolution authorizing such Series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Resolution or (ii) the report of an accountant as to audit or other procedures called for by this Resolution.

"*Code*" means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"*Compounded Amount*" means, as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by THDA in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to Section 2.6, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to Section 2.6. Any determination of Compounded Amount shall assume semi-annual compounding on each January 1 and July 1, straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Debt Service*" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"*Event of Default*" means any of the events specified in Section 10.1.

"*Federal Mortgage Agency*" means the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

"*Fiduciary*" means the Trustee and any Paying Agent, or any or all of them as may be appropriate.

"*Final Compounding Date*" means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year.

"*Fund*" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"*Interest Payment Date*" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"*Internal Rate of Return*" when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to Section 2.6 and compounded semi-annually, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Investment Securities*" means and includes any of the following obligations, to the extent the same are consistent with the then existing investment policy of THDA and at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) bonds, notes and treasury bills of the United States of America or other obligations guaranteed as to principal and interest by the United States of America or any of its agencies;

(2) obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association;

(3) repurchase agreements for obligations of the United States of America or its agencies with any financial institution with long-term unsecured debt rated at least "AA" by S&P and "Aa3" by Moody's;

(4) certificates of deposit in banks and savings and loan associations recognized as "State Depositories" pursuant to Section 9-4-107 of the Tennessee Code Annotated; provided, that certificates of deposit are collateralized in accordance with Section 9-4-403 of the Tennessee Code Annotated, and provided, further, that the provider of such certificate of deposit shall have a long-term unsecured debt rating of at least "AA-" by S&P and "Aa3" by Moody's;

(5) prime commercial paper which shall be rated in the highest category by S&P and Moody's;

(6) prime banker's acceptances (having maturities of not more than 365 days) that are eligible for purchase by the federal reserve system, provided by any bank, the short-term obligations of which are rated at least "A-1+" by S&P and "P-1" by Moody's;

(7) guaranteed investment contracts with any financial institution with a long-term unsecured debt rating of at least "AA" by S&P and "Aa3" by Moody's; provided that such guaranteed investment contract shall have a termination date no later than five and one half years from the date of issuance of the related series of Bonds, except that the termination date with respect to a guaranteed investment contract for any funds on deposit in the Bond Reserve Fund shall be no later than the maturity date of the related series of Bonds; and

(8) any other investments which, at the time of such investment, are authorized for investment of funds of THDA under the Act and would not adversely affect the then current rating assigned to the Bonds.

"*Issuance Amount*" means the price, exclusive of accrued interest (if any), at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, Costs of Issuance, or similar costs.

"*Loan Fund*" means the Loan Fund established in Section 5.1.

"*Maturity Amount*" means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on a semi-annual basis.

"*Moody's*" means Moody's Investors Service, Inc., and any successor.

"*Non-Mortgage Receipts*" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund, but shall not include Revenues.

"*Non-Mortgage Receipts Account*" means the Non-Mortgage Receipts Account established in the Revenue Fund pursuant to this Resolution.

"*Outstanding*," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(B), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.6, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"*Paying Agent*" means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"*Permitted Encumbrances*" means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to THDA, indemnity has been provided or similar steps to secure the interest of THDA have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as THDA shall determine do not impair the use or value of the premises.

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in subsection 5.3(D), of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"*Program*" means the various programs for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such programs are financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"*Program Expenses*" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"*Program Guidelines*" means the Program Guidelines adopted by THDA for the Program as in effect on the date of adoption of this Resolution and as revised, amended, altered or supplemented from time to time in accordance with the Act.

"*Program Loan*" means any obligation, including a participation interest therein, acquired by THDA by the expenditure of amounts in the Loan Fund. Such Program Loan shall be made to finance the acquisition of residential housing, or if authorized by a Supplemental Resolution, to finance costs of improvements to or rehabilitation of residential housing or to provide down payment and closing cost assistance. If authorized by a Supplemental Resolution, the term "Program Loan" shall also include a Program Security backed by a pool of Program Loans satisfying any conditions as may be set forth in such Supplemental Resolution.

"*Program Loan Loss Coverage*" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"*Program Security*" means an obligation representing an undivided interest in a pool of Program Loans issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

"*Projected Cash Flow Statement*" means a Certificate delivered pursuant to the provisions of Section 7.11.

"*Rating Agency*" means any nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of THDA; initially, Moody's and S&P.

"*Redemption Account*" means the Redemption Account which is established and created in the Revenue Fund pursuant to this Resolution.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to this Resolution.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bond*" means any Bond authenticated and delivered on original issuance pursuant to Section 2.7 or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to this Resolution.

"*Resolution*" means this Resolution and any amendments or supplements made in accordance with its terms.

"*Revenue Fund*" means the Revenue Fund established pursuant to Section 5.1.

"*Revenues*" means, upon receipt thereof by THDA, all payments proceeds, rents, charges and other cash income received by THDA from or on account of any Program Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, principal and interest on any Program Loan) or Program Security, but excludes (i) any amount retained by a servicer of any Program Loan as compensation for services rendered in connection with such Program Loan, (ii) any payments for the guaranty or insurance of any Program Loan or Program Security, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Loan and (iv) payments or charges constituting construction performance or completion reserves required pursuant to a Program Loan.

"*S&P*" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, and any successor.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

"*State*" means the State of Tennessee.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of this Resolution, adopted by THDA and effective in accordance with Article VIII.

"*THDA"* means the Tennessee Housing Development Agency, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of THDA.

"*Trustee*" means U.S. Bank National Association, the Trustee appointed as provided in Section 11.1 and its successor or successors and any other person at any time substituted in its place pursuant to this Resolution.

Section 1.3. Interpretation. In this Resolution, unless the context otherwise requires:

(1) the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Resolution, refer to this Resolution, and the term “heretofore” means before, and the term “hereafter” means after, the date of adoption of this Resolution;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(5) if at any time there shall be one person who shall be the holder of all of the Outstanding Bonds and the consent of the Trustee shall be required, the consent of such person shall be required in lieu of the consent of the Trustee, unless such person shall have been notified and shall not have consented within a reasonable period of time;

(6) this Resolution shall be governed by and construed in accordance with the applicable laws of the State;

(7) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of said Bond;

(8) the date upon which any Sinking Fund Payment is required to be paid pursuant to this Resolution and the provisions of the Bonds of each Series shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(9) the verb “finance”, when used with reference to a Program Loan, shall be construed to include (i) the making or purchase of such Program Loan (ii) the participation by THDA, either with itself or with others, in the making or purchase thereof or (iii) the permanent financing of a Program Loan which has been temporarily financed by THDA through the issuance of notes or other obligations or otherwise;

(10) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon;

(11) any moneys, documents, securities, obligations or other items received by the Trustee pursuant to the terms of this Resolution shall be deemed to have been received by THDA;

(12) any reference in this Resolution to principal or interest on bonds which is payable on a certain date or during a certain period of time is a reference to an amount payable on such date or during such period and does not include the obligation to pay any principal or interest after such date or period;

(13) any reference to the principal amount of Bonds shall be a reference to the Maturity Amount or the Compounded Amount thereof as of any particular date of computation in the case of Appreciation Bonds and shall mean the amount, irrespective of interest, payable upon the maturity of any Bond which is not an Appreciation Bond;

(14) references to “semi-annual” payments of interest or compounding of yield refer to payment or compounding on January 1 and July 1 of each year; and

(15) the “Compounded Amount” of an Appreciation Bond represents an accrual of the principal amount thereof payable at maturity and does not represent interest thereon, except that, for purposes of determining the Redemption Price of a Bond, the priority of payments under Section 10.3 and the required principal amount in connection with approvals and consents of Bondholders pursuant to this resolution, any

increase in the Compounded Amount occurring since the most recent Interest Payment Date shall be treated as if it were interest.

(B) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than THDA, the Fiduciaries and the holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of THDA, shall be for the sole and exclusive benefit of THDA, the Fiduciaries and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of THDA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.1. Authorization for Resolution and Bonds. This Resolution and the issuance of Bonds hereunder have been duly authorized by THDA and the principal amount of Bonds that may be issued hereunder is not limited except as provided herein or by law. THDA has ascertained and it is hereby determined and declared that the adoption of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of THDA in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the purposes of THDA under the Act.

Section 2.2. Resolution to Constitute Contract. The provisions of this Resolution shall be deemed to be and shall constitute a contract among THDA, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of THDA shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

Section 2.3. Obligation of Bonds.

(A) This Resolution creates an issue of Bonds of THDA and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest on such Bonds, including any Sinking Fund Payments for the retirement thereof. The Bonds shall be special, limited obligations of THDA payable solely from the revenues and assets pledged therefor pursuant to this Resolution. The Bonds shall not be deemed to constitute a debt, liability, or obligation of the State or of any other political subdivision thereof, and neither the full faith and credit, nor the taxing power of the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds. The Bonds shall contain on their face a statement that THDA shall not be obligated to pay the Bonds, nor the interest thereon, except from the revenues or assets pledged by THDA therefor and that neither the full faith and credit, nor the taxing power of the State or of any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds.

(B) The Revenues and Non-Mortgage Receipts and all amounts held in any Fund or Account, including investments thereof, are hereby pledged to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. In addition, subject to the provisions of subsection 10.2(D), THDA hereby pledges and assigns, to secure the payment of the Bonds, all right, title and interest of THDA in and to the Program Loans, including any extensions and renewals thereof. To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice hereof.

Section 2.4. Authorization of Bonds. In order to provide sufficient funds for the operation of the Program or for the refunding of Bonds, bonds of THDA are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided by law. No Bonds shall be issued unless they are part of an issue described in a Supplemental Resolution and until the conditions contained in Section 2.6 or, in the case of Refunding Bonds, Section 2.7 are satisfied.

Section 2.5. Issuance and Delivery of Bonds. After their authorization by THDA, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication and, upon compliance by THDA with the requirements of Section 2.6 and, in the case of Refunding Bonds, Section 2.7, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of THDA.

Section 2.6. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be executed by THDA for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to THDA or upon its order, but only upon the receipt by the Trustee of:

(1) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

(a) the authorized principal amount (by reference to the amount payable at maturity thereof) and designation of such Bonds;

(b) the purposes for which such Bonds are being issued, which shall be one or more of the following: (i) the making of deposits into the Loan Fund, (ii) the making of deposits in at least the amounts, if any, required by this Resolution into the Revenue Fund and Bond Reserve Fund, (iii) the refunding of any Bonds, or (iv) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds (or the manner of determining such dates);

(d) the interest rates of such Bonds (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Bonds;

(f) the Paying Agents and the places of payment of such Bonds or, subject to Article XI, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of Article VI, the redemption terms for such Bonds or the manner of determining such Redemption Prices or terms of redemption;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds of like maturity or the manner of determining such amounts and dates;

(i) provisions for the time, place and manner of such sale of such Bonds, as provided in the Act;

(j) provisions concerning the forms of such Bonds and of the Trustee's certificate of authentication; and

(k) any other provisions deemed advisable by THDA as shall not conflict with the provisions hereof;

(2) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution and any other authorization or determination necessary as a condition precedent to the delivery of such Bonds has been duly and lawfully adopted or made and is in full force and effect; (ii) this Resolution has been duly and lawfully authorized, executed and delivered by THDA and is valid and binding upon, and enforceable against, THDA (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Resolution creates the valid pledge which

it purports to create of the Revenues and of moneys and securities or deposit in any of the Funds established hereunder, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (iv) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Resolution;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer and attaching a schedule of Compounded Amounts in the event THDA wishes to specify such amounts with respect to any Appreciation Bonds which constitute a portion of such issue;

(4) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to Section 4.1;

(5) except in the case of the initial Series of Bonds hereunder, a Certificate of an Authorized Officer stating that the conditions of Section 7.14 for the issuance of additional Bonds have been met;

(6) a Projected Cash Flow Statement, as of the date of such delivery, complying with the conditions of subsection 7.11(C); and

(7) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution entered into pursuant to Article VIII.

Section 2.7. Conditions Precedent to Delivery of Refunding Bonds.

(A) In addition to the requirements of Section 2.6, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(1) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the obligations to be refunded (which may include Bonds, or bonds or other obligations of THDA issued pursuant to THDA resolutions other than the Resolution) and the payment or redemption dates, if any, upon which such obligations are to be paid or redeemed;

(2) if the obligations to be refunded are to be redeemed subsequent to the next succeeding ninety days, irrevocable instructions to the Trustee to give, in accordance with the appropriate resolution of THDA which authorized the issuance of such obligations, notice of the redemption of such obligations on a specified date prior to their redemption date; and

(3) either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the obligations to be refunded, together with accrued interest on such obligations to the due date or redemption date, or (ii) Investment Securities as described in subsection (B) of Section 12.1 (or, as applicable, such other investments as required by the appropriate resolution of THDA which authorized the issuance of such obligations to cause such obligations to be similarly defeased), the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or redemption price of the obligations to be refunded, together with accrued interest on such obligations to the redemption dates or dates of maturity thereof, which moneys or appropriate investments shall be held by the Trustee or any one or more of the Paying Agents in the Redemption Fund, or, as applicable, by the Trustee under the resolution of THDA which authorized the issuance of such obligations.

(B) To the extent the obligations being refunded are Bonds issued hereunder, except as provided in Section 12.1 or paragraph 10.2(A)(6), neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (A)(3) of this Section or principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in subsection 12.1(B) maturing at times and in amounts sufficient to pay when due the

principal or applicable Redemption Price of such Bonds, together with such accrued interest. Nothing in this Section, however, is intended to restrict the use of amounts received on account of any portion of the principal or interest on any Investment Securities deposited pursuant to subsection (A) above which are in excess of the amounts required to be so deposited in order to provide moneys sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds and, to the extent such Bonds have been deemed to have been paid within the meaning of Section 12.01, such amounts may be pledged by THDA and withdrawn by THDA as received and applied to any purpose of THDA, free and clear of the lien of this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Medium of Payment, Denomination, Maturities, Form and Date.

(A) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Except as may otherwise be provided in a Supplemental Resolution, all Bonds shall be in the denomination of $5,000 each or in denominations of any whole multiple thereof.

(C) Except as may otherwise be provided in a Supplemental Resolution, the date upon which any Principal Installment with respect to a Series of Bonds is payable shall be the first day of any January or July. Except as may otherwise be provided in a Supplemental Resolution, interest on each Bond shall be payable semiannually on the first day of any January or July commencing, with respect to any Series of Bonds, on the January 1 or July 1 set forth in the Supplemental Resolution adopted in connection with the issuance of such Series.

(D) Bonds shall be issued in fully registered form, without coupons.

(E) All Bonds shall bear interest from their date unless another date for the accrual of interest thereon is specified in such Bond. Interest may be made payable at a final or variable rate, based on the principal amount of the Bond (including the Compounded Amount from time to time), or upon any other amount specified in the Bond or incorporated therein by reference. Upon the original delivery of the Bonds or an exchange or transfer of Bonds pursuant to Section 3.5 or Section 3.6 hereof, the Trustee shall note the date of authentication on each Bond to be delivered. Each Bond delivered upon transfer or in exchange for or in lieu of any other Bond shall carry all the right to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise.

Section 3.3. Interchangeability of Bonds. Upon surrender thereof at the principal or corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Bonds may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.6, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any of the authorized denominations.

Section 3.4. Negotiability and Registry. All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, THDA shall maintain and keep, at the principal or corporate trust office of the Trustee, books for the registration, transfer and exchange of Bonds. So long as any of the Bonds remain Outstanding, THDA shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

Section 3.5. Transfer of Bonds.

(A) Except as provided for in Section 3.7 herein, each fully registered Bond shall be transferable only upon the books of THDA, which shall be kept for such purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written

instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such fully registered Bond, THDA shall issue in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(B) THDA and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of THDA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither THDA nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.6. Regulations With Respect to Exchanges and Transfers. Except as provided for in Section 3.6 herein, in all cases in which the privilege of exchanging or transferring Bonds is exercised, THDA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, THDA or the Trustee may make a charge sufficient to reimburse it for any expenses of THDA or the Trustee in connection therewith and for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds or as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. If the Bonds are not registered with a central depository system as provided in Section 3.7, THDA shall not be obliged to make any such exchange or transfer of Bonds (i) during the ten days preceding an Interest Payment Date on such Bonds, (ii) during the ten days preceding the date of the mailing of notice of any proposed redemption of Bonds, or (iii) with respect to any particular Bond, after such Bond has been called for redemption. THDA may, by written notice to the Trustee, establish a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, but such record date shall be not more than ten days preceding an Interest Payment Date on such Bonds or, in the case of any proposed redemption of Bonds next preceding the date of the first redemption of Bonds.

Section 3.7. Central Depository System.

(A) Notwithstanding the other provisions of this Resolution regarding registration, ownership, transfer, Bondholder consent, payment and exchange of Bonds, and the giving of notices of Bondholders as required by the provisions of this Resolution, a Supplemental Resolution may provide that all or a portion of Bonds shall be issued as book-entry only Bonds and registered in the name of a central securities depository or its nominee (the "Central Securities Depository"), in which case matters relating to registration, ownership, transfer, consent, payment and exchange of Bonds, and relating to the giving of notices to Bondholders as required by the provisions of this Resolution, shall be governed by the operational arrangements of such Central Securities Depository.

(B) With respect to Bonds registered in the registry books kept by the Trustee in the name of a Central Securities Depository, THDA and the Trustee shall have no responsibility or obligation to any participant or to any beneficial owner. Without limiting the immediately preceding sentence, THDA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Central Securities Depository or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant, any beneficial owner or any other person other than the Central Securities Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant, any beneficial owner or any other person, other than the Central Securities Depository, of any amount with respect to the principal of or premium, if any or interest on the Bonds. THDA and the Trustee may treat as and deem the Central Securities Depository to be the absolute owner of each Bond, for the purpose of payment of the principal of and premium and interest on such Bond for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Central Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge THDA's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than the Central Securities Depository shall receive an authenticated Bond evidencing the obligation of THDA to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by the Central Securities Depository to the Trustee of written notice to the effect that the Central Securities Depository has determined to substitute a new nominee, and subject to the provisions herein with respect to consents, the words "Central Securities Depository" in this Resolution shall refer to such new nominee of the Central Securities Depository.

(C) Upon receipt by THDA and the Trustee of written notice from the Central Securities Depository to the effect that the Central Securities Depository is unable or unwilling to discharge its responsibilities and no substitute the Central Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of THDA kept by the Trustee in the name of the Central Securities Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(D) In the event THDA determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates and subject to the operational arrangements of such Central Securities Depository, THDA may notify the Central Securities Depository and the Trustee, whereupon the Central Securities Depository will notify the participants, of the availability through the Central Securities Depository of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the Central Securities Depository and any other Bondowners in appropriate amounts, and whenever the Central Securities Depository requests THDA and the Trustee to do so, the Trustee and THDA will cooperate with the Central Securities Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bond to any Central Securities Depository participant having Bonds credited to its Central Securities Depository account or (ii) to arrange for another Central Securities Depository to maintain custody of certificates evidencing the Bonds.

(E) In connection with any notice of other communication to be provided to Bondholders pursuant to this Resolution by THDA or the Trustee with respect to any consent or other action to be taken by Bondholders, THDA or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Central Securities Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(F) Any transfer of a Bond affected in accordance with this Section 3.7 shall be subject to applicable laws of the State.

Section 3.8. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, THDA shall execute and the Trustee shall authenticate a new Bond of like interest rate, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and substitution for a Bond which have been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to THDA and the Trustee that such Bond have been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing THDA and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as THDA and the Trustee may prescribe and pay such expenses as THDA and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to THDA.

Section 3.9. Preparation of Definitive Bonds; Temporary Bonds.

(A) Definitive Bonds shall be typed, lithographed or printed on steel engraved borders; provided, that Bonds which are held by a Central Securities Depository shall be in form acceptable to such Central Securities Depository. Until definitive Bonds are prepared THDA may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations of $5,000 or such other denomination as may be authorized for such Bonds or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, THDA at its own expense shall prepare and execute and, without charge to the holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.10. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with

all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with THDA and the other executed Certificate shall be retained by the Trustee. Notwithstanding the foregoing, Bonds purchased by THDA shall not be cancelled to the extent that upon such purchase THDA shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond shall be purchased but not cancelled and (ii) in the event the interest on such Bonds is excludable from gross income for purposes of federal income taxation, a Bond Counsel's Opinion to the affect that the failure to cancel such Bond will not, in and of itself, adversely affect such excludability.

Section 3.11. Execution and Authentication.

(A) After their authorization by a Supplemental Resolution, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of THDA by the manual or facsimile signature of the Chairman, Vice Chairman or Executive Director of THDA and the corporate seal of THDA (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bonds of a Series may be signed and sealed on behalf of THDA by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by THDA, although the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Bonds, executed manually by the Trustee. No Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of THDA shall be conclusive evidence that the Bond so authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. The proceeds of sale of any Series of Bonds, other than the proceeds of Refunding Bonds, shall, as soon as practicable upon the delivery thereof by the Trustee pursuant to Section 2.6 be applied as follows:

(1) the amount, if any, necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Bond Reserve Fund, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Series; and

(2) the balance remaining after such deposit has been made shall be applied as specified in the Supplemental Resolution or as provided in a Certificate of an Authorized Officer.

Section 4.2. Application of Amounts in the Loan Fund. No amount in the Loan Fund shall be expended or applied for the purpose of financing Program Loans except upon compliance with the provisions of subsection 5.2(C). In addition, no Program Loan shall be financed unless such Program Loan (i) complies in all respects with the Act in effect on the date of financing and (ii) complies with any additional program covenants or requirements contained in the related Supplemental Resolution.

Section 4.3. Application of Proceeds of Refunding Bonds. The proceeds of the Refunding Bonds of a Series shall be deposited in the Redemption Account or the Debt Service and Expense Account as provided in the Supplemental Resolution authorizing such Bonds.

Section 4.4. Deposits. Except as provided in Sections 2.7 and 12.1 and subject to the right of THDA to direct the deposit of funds, whenever such amounts are not invested in Investment Securities, the Trustee shall, if permitted by law, deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of this Resolution in interest-bearing time deposits or certificates of deposit, or may enter into repurchase agreements or make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor. Each such interest-bearing time deposit, repurchase agreement or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed by THDA to be expended and, except to the extent that any such deposits shall be insured by the United States of America or the Federal Deposit Insurance Corporation, or its successor, on terms which in the judgment of THDA (as expressed in written instructions to the Trustee) provide reasonable liquidity, all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar banking arrangement shall be either continuously and fully secured under the laws of the State as determined by Board of Directors of THDA by Investment Securities (or other obligations rated in either of the two highest rating categories by a nationally recognized rating service) having a market value equal at all times to the amount of the interest-bearing time deposit, repurchase agreement, certificate of deposit or other similar banking arrangement. Notwithstanding the foregoing, repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with and recognized as primary dealers by a Federal Reserve Bank and may be entered into with any other person if (i) all amounts payable thereunder, are fully and continuously secured by Investment Securities of the type described in clauses (1) through (6) of the definition thereof in Section 1.2, (ii) the Trustee shall receive confirmation that such securities are being held for the benefit (and subject to the direction) of the Trustee by a national bank or member bank of the Federal Reserve System other than the obligor under such arrangement and (iii) the market value of the Investment Securities being held shall be maintained at a level sufficient to maintain the then current rating on the Bonds by each Rating Agency.

Section 4.5. Investment of Certain Funds.

(A) Subject to the right of THDA to direct the investment or deposit of funds hereunder in accordance with this Section, moneys in any Fund shall be continuously invested and reinvested or deposited and redeposited in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing current return (with proper preservation of principal) and minimizing the instances of uninvested funds. THDA shall consult with the Trustee from time to time as to the investment of amounts in the Funds established or confirmed by this Resolution. THDA may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in any Fund in Investment Securities in accordance with this Section and toward the objective that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended.

(B) Investment Securities purchased as an investment of moneys in any Fund held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such Fund but, except as may be otherwise provided for amounts deposited in the Redemption Fund in connection with the issuance of Refunding Bonds, the income or interest earned and gains realized in excess of losses suffered by a Fund due to the investment thereof shall be deposited as Non-Mortgage Receipts in the Non-Mortgage Receipts Account or shall be credited as Non-Mortgage Receipts to the Non-Mortgage Receipts Account from time to time and reinvested.

(C) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to this Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for which such investment was made or whenever, in the discretion of THDA, any such sale or presentment is necessary in compliance with Section 7.9. The Trustee shall advise THDA in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund in its custody under the provisions of this Resolution as of the end of the preceding month.

Section 4.6. Valuation and Sale of Investments.

(A) In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement, Investment Securities shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a

premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made as soon as practicable prior to each Interest Payment Date and at any other time required hereunder, and on any particular date shall not include the amount of interest then earned or accrued to such date on any investment.

(B) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. An Investment Security may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another.

ARTICLE V

FUNDS

Section 5.1. Establishment of Funds.

(A) THDA hereby establishes and creates the following special trust funds:

(1) Loan Fund;

(2) Revenue Fund; and

(3) Bond Reserve Fund.

(B) All such Funds shall be held and maintained by the Trustee and shall be identified by THDA and the Trustee according to the designations herein provided in such manner as to distinguish such Funds from the Funds established by THDA for any other of its obligations. All moneys or securities held by the Trustee pursuant to this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolution and the Act.

(C) This Resolution contemplates the establishment of Subaccounts within the Funds created pursuant to this Resolution. In addition to the Subaccounts established hereunder, the Trustee may from time to time, establish, close and reestablish such additional Funds, Accounts or Subaccounts as may be requested by THDA for convenience of administration of the Program and as shall not be inconsistent with the provisions of this Resolution. Notwithstanding anything in this Resolution to the contrary, including Section 2.2 hereof, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, THDA may cause the Trustee to establish a Subaccount into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit hereunder and such Supplemental Resolution may provide that initial proceeds of such Bonds on deposit therein are pledged solely to certain of the Bonds of such Series.

Section 5.2. Loan Fund.

(A) There shall be deposited from time to time in the Loan Fund any amount required to be deposited therein pursuant to this Resolution and any other amounts determined to be deposited therein from time to time.

(B) Amounts in the Loan Fund shall be expended only (i) to finance Program Loans, in accordance with Section 4.2; (ii) to pay Costs of Issuance; (iii) to make deposits in the Debt Service and Expense Account, representative of capitalized interest, in the manner provided in subsection (D) of this Section; (iv) to redeem Bonds in accordance with subsection (E) of this Section; and (v) to provide amounts for deposit in the Debt Service and Expense Account in accordance with subsection (F) of this Section. All Program Loans financed by application of amounts in the Loan Fund shall be credited to the Loan Fund.

(C) THDA shall maintain accurate records in the office of THDA describing for each Program Loan the amounts applied to the financing of such Program Loan and the persons and dates related to such payments. Upon the direction by THDA to apply amounts on deposit to the financing of Program Loans an Authorized Officer shall certify that, as to the Program Loans expected to be financed (i) the terms of such Program Loans will conform to the description of the Program Loans to be financed from such amount as set forth in the most recent Projected Cash Flow Statement delivered to the Trustee and (ii) such Program Loans will comply with the provisions of Section 4.2. The

Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Fund at any time for the purpose of making payments pursuant to this Section only upon receipt of:

(1) a written requisition setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include THDA) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from the Loan Fund pursuant to such requisition is a proper charge thereon.

(D) At least one day prior to each Interest Payment Date THDA shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amount necessary, in the opinion of such Authorized Officer, to pay interest on the Bonds of each Series from the amount on deposit in the Loan Fund, after giving effect to the actual and expected application of amounts therein to the financing of Program Loans as of the date of such Certificate. Upon receipt of such Certificate the Trustee shall transfer the amount so stated for each Series to the Debt Service and Expense Account, but only to the extent that the cumulative amount of such transfers does not exceed for each Series the amount stated as necessary to be reserved in the Loan Fund for the purpose of paying capitalized interest pursuant to the Projected Cash Flow Statement delivered in connection with the delivery of such Series pursuant to subsection 7.11 plus the amount, if any, certified by an Authorized Officer as available for such purpose from amounts originally reserved in the Loan Fund for the payment of capitalized interest and Costs of Issuance with respect to other Series in excess of the amounts actually required therefor.

(E) At any time THDA may direct the Trustee in writing to transfer amounts in the Loan Fund to the Redemption Account or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the provisions of Article VI.

(F) THDA may at any time direct the Trustee to transfer amounts in the Loan Fund to the Revenue Fund, but only if there is delivered to the Trustee a Projected Cash Flow Statement showing the amount to be so transferred and that, after giving effect to such transfer, such Statement complies with subsection 7.11(C).

Section 5.3. Revenue Fund.

(A) The Trustee shall establish and create within the Revenue Fund three Accounts into which amounts shall be deposited and from which amounts shall be transferred as provided in this Section. These Accounts shall be designated as the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account. THDA shall cause all Revenues to be deposited promptly with the Trustee (at least monthly) and such amounts shall be deposited in the Debt Service and Expense Account. There shall also be deposited in the Debt Service and Expense Account any other amounts required to be deposited therein pursuant to this Resolution.

(B) The Trustee shall pay out of the Debt Service and Expense Account to the respective Paying Agents for any of the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments. Upon receipt of appropriate requisitions and certificates reflecting such payment in the form prescribed by subsection 5.2(C), amounts on deposit in the Debt Service and Expense Account may be applied to the payment of accrued interest in connection with the financing of any Program Loan.

(C) Prior to the forty-fifth day preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by an Authorized Officer of THDA shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of said Sinking Fund Payment plus unpaid interest

accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(2) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (K) of this Section (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 6.3, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service and Expense Account to the appropriate Paying Agents on the date preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) Upon delivery by THDA to the Trustee of a Certificate of an Authorized Officer which states the amount then on deposit in the Debt Service and Expense Account, the Trustee shall promptly transfer from the Debt Service and Expense Account an amount equal to the amount stated in such Certificate as follows:

FIRST: From amounts representing principal payments on Program Loans, the amount, if any, as shall be required by the Code to be applied to the redemption of Bonds shall be transferred to the Redemption Account.

SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount, if any, as shall be required to make any arbitrage rebate payment to the United States of America as required by the Code shall be transferred to THDA to be applied to such payment.

THIRD: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.

FOURTH: From the amount, if any, so available after the transfers provided above have been made, the amount needed to pay reasonable and necessary Program Expenses which are due and owing shall be transferred to THDA, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

FIFTH: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, to be transferred to the Loan Fund shall be so transferred, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

SIXTH: From the amount, if any, so available after any transfers provided for above have been made, the remaining amount may be transferred to the Redemption Account upon the direction of THDA and thereafter applied in accordance with subsection (I) of this Section. If the amount of Program Loans (valued at par) and

Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA, to be applied to any purpose of THDA consistent with Section 7.9, free and clear of the lien of any pledge of this Resolution, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

(G) Notwithstanding any other provision of this Section, the Trustee may at any time, upon the written direction of an Authorized Officer, (i) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund, or the Redemption Account or (ii) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer or payment shall be made, however, unless such withdrawal is in an amount less than or equal to the amount of such withdrawal as set forth in the most recent Projected Cash Flow Statement.

(H) Notwithstanding the provisions of subsection (A) of this Section, no payments shall be required to be made into the Debt Service and Expense Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the Bonds have been defeased in accordance with Section 12.1 hereof; any Revenues thereafter received by THDA may be applied to any corporate purpose of THDA free and clear of the lien of the pledge of this Resolution.

(I) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Resolution and any other amounts available therefor and determined by THDA to be deposited therein. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, all amounts deposited in the Redemption Account shall be applied to the payment, purchase or redemption of Bonds, at the earliest practicable Redemption Date. Subject to the provisions of this Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in this Section and Article VI. Any earnings derived from the investment of amounts deposited in the Redemption Account pursuant to Section 2.7 shall, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in said Section, be deposited in the Redemption Account. Amounts on deposit in the Redemption Account for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Supplemental Resolution authorizing the issuance of Refunding Bonds, including amounts derived from the investment thereof as provided in this subsection, shall be segregated and shall be identified as such on the records of the Trustee.

(J) Except as may be otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit therein. THDA may, however, by delivery to the Trustee of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of THDA. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as THDA shall from time to time direct or, in the absence of such direction, as the Trustee may determine in its sole discretion and as may be possible with the amounts then available therefor. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Resolution on any date or dates within thirteen months after such purchase, in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price, and deposit the same in the Debt Service and Expense Account within the Revenue Fund.

(K) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward each such Sinking Fund Payment thereafter to become due an amount as nearly as may be practicable in multiples of $5,000 (or such other denomination as shall be authorized for the related Series of Bonds) bearing the same ratio to such Sinking Fund Payment, as the total principal amount of such Bond so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(L) Except as otherwise specifically provided herein, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price or at any other price and any arm's length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(M) All Non-Mortgage Receipts shall be deposited, promptly upon receipt by the Trustee, in the Non-Mortgage Receipts Account. The Trustee shall maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund and the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund (referred to in this Section as the "average daily balance"). If so directed by THDA, the Trustee shall maintain such for each Series of Bonds separately.

(N) Not later than each Interest Payment Date, the Trustee shall transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of the transfers provided by this Subsection, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

(O) Any amount remaining in the Non-Mortgage Receipts Account after the transfer to the Debt Service and Expense Account described in paragraph (N) above shall be transferred, at the direction of an Authorized Officer, to the Loan Fund or the Redemption Account.

Section 5.4. Bond Reserve Fund.

(A) If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Fund and the Redemption Fund, if applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Bond Reserve Fund to the extent necessary to make good the deficiency.

(B) If, concurrently with any allocation from the Revenue Fund pursuant to subsection (B) or (F) or (G) of Section 5.3, the amount on deposit in the Bond Reserve Fund, shall be in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed in writing by an Authorized Officer of THDA, transfer the amount of such excess to the Redemption Account.

(C) Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Fund shall be transferred to the Bond Reserve Fund. Prior to said transfer all investments held in the Revenue Fund shall be liquidated and any Bonds constituting a part of such Fund shall be deemed paid and cancelled.

(D) It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Resolution, in the Bonds and in the respective Supplemental Resolutions authorizing the issuance of such Bonds and authorizing the issuance of Refunding Bonds.

Section 6.2. Redemption at the Election or Direction of THDA; Conditional Notice. In the case of any redemption of Bonds otherwise than as provided in Section 6.3, THDA shall give written notice to the Trustee of its election or direction so to redeem, on the Redemption Date, the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by THDA in its sole discretion, subject to any limitations with respect thereto as may be provided in a Supplemental Resolution or otherwise contained in or permitted by this Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least forty-five days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 6.5, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise THDA shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed; provided, however, that any election or direction to redeem Bonds may be conditional, and THDA may elect or direct that any notice of redemption given pursuant to Section 6.5 shall be made conditional, upon the deposit with the Paying Agent of such sufficient moneys or other conditions. THDA shall promptly notify the Trustee in writing of all such payments made by THDA to a Paying Agent.

Section 6.3. Redemption Otherwise Than at THDA's Election or Direction. Whenever by the terms of this Resolution, the Trustee is required to redeem Bonds otherwise than at the election or direction of THDA, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article V, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, interest rate and maturity, the Trustee shall assign to each such Outstanding fully registered Bond a distinctive number for each $5,000 of the principal amount thereof so as to distinguish each such $5,000 from each other portion of the Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds bearing the numbers so selected; but only so much of the principal amount of each such fully registered Bond of a denomination or more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding. In the case of Appreciation Bonds, in the event that the Compounded Amount of any such Bond shall be less than $5,000, the Trustee shall assign a number to such Bond as if the Bond had a principal amount equal to $5,000 for purposes of this Section. If a Supplemental Resolution provides for a minimum denomination larger (or smaller) than $5,000, all references in this Section to $5,000 shall be deemed to refer to such larger (or smaller) minimum denomination. Notwithstanding the foregoing, Bonds that are held by a Central Securities Depository (or beneficial ownership interests in Bonds registered in the name of a Central Securities Depository or its nominee) shall be selected for redemption in accordance with the operational arrangements of such Central Securities Depository.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Resolution pursuant to Section 6.3, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth in summary terms, the conditions precedent to such redemption and

that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository as provided in Section 3.7 hereof) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

Section 6.6. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 6.5 and assuming that all conditions precedent have been satisfied, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of portions of Bonds, a written instrument of exchange duly executed by the registered owner or his duly authorized attorney. If there shall be drawn for redemption less than the entire principal amount of a Bond, THDA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable.

If any notice of redemption pursuant to Section 6.5 is given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient moneys to pay the Redemption Price therefor on the Redemption Date and if such moneys sufficient to pay the Redemption Price and accrued interest have not been made available by THDA to the Trustee or the appropriate Paying Agent or Paying Agents on the Redemption Date, such notice of redemption shall be cancelled and be without effect and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding. The Trustee shall, within two business days after the proposed Redemption Date, give notice, in the manner in which the notice of redemption was given, that such conditions were not satisfied.

ARTICLE VII

PARTICULAR COVENANTS

THDA covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 7.1. Performance. THDA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of THDA under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

Section 7.2. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of THDA, shall be within every debt and other limit prescribed by law.

Section 7.3. Power to Issue Bonds and Pledge Revenues, Funds and Other Property. THDA is duly authorized under all applicable laws to authorize and issue the Bonds and to enter into, execute and deliver this Resolution and to pledge the assets and revenues purported to be pledged hereby in the manner and to the extent herein provided. The assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate or other action on the part of THDA to that end has been and will be duly and validly taken. The Bonds and the provisions

of this Resolution are and will be the valid and legally enforceable obligations of THDA in accordance with their terms and the terms of this Resolution. THDA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under this Resolution, and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 7.4. Payment of Bonds. THDA shall duly and punctually pay or cause to be paid, as herein provided, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 7.5. Extension of Payment of Bonds. THDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon and in the event that the maturity of any of the Bonds or the time for payment of interest thereon shall be extended, such Bonds, shall not be entitled to the benefit of this Resolution or to any payment out of the Funds established pursuant to this Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extension. Nothing herein shall be deemed to limit the right of THDA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.6. Offices for Servicing Bonds. THDA shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon THDA in respect of the Bonds or of this Resolution may be served. The Trustee shall maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon THDA. THDA may appoint one or more additional or other Paying Agents as its respective agents to maintain such offices or agencies for the payment of the Bonds of any particular Series and maturity.

Section 7.7. Further Assurance. At any and all times THDA shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which THDA may become bound to pledge or assign.

Section 7.8. Waiver of Laws. THDA shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law not or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by THDA.

Section 7.9. Tax Covenants.

(A) Subject to subsection (C) of this Section, THDA shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(B) THDA shall not permit at any time or times any of the proceeds of the Bonds or any other funds of THDA to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code.

(C) Notwithstanding the foregoing, THDA hereby reserves right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this Section shall not apply to such Bonds.

Section 7.10. Accounts and Reports.

(A) THDA shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Program Loans and all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) THDA shall annually, within 210 days after the close of each Fiscal Year, file with the Trustee a copy of the financial statements of THDA for such Fiscal Year, setting forth in reasonable detail:

(1) the balance sheet for THDA and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year;

(2) a statement of THDA's revenues and expenses in accordance with the categories or classifications established by THDA for its operating and program purposes and showing the revenues and expenses of the Program during such Fiscal Year; and

(3) a statement of changes in financial position, including changes in financial position of the Program, as of the end of such Fiscal Year.

The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(C) If at any time during any Fiscal Year there shall have occurred an Event of Default, then THDA shall file with the Trustee, within forty-five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

(D) Any such financial statements may be presented on a consolidated or combined basis with other reports of THDA, but only to the extent that such basis of reporting shall be consistent with that required under subsection (B) of this Section.

(E) A copy of each annual Projected Cash Flow Statement prepared in accordance with Section 7.11 hereof and any special report filed pursuant to subsection (C) of this Section and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Section 7.11. Periodic Delivery of Projected Cash Flow Statement.

(A) THDA shall file a Projected Cash Flow Statement with the Trustee (i) whenever Bonds are issued pursuant to Section 2.6, (ii) on or within thirty (30) days after THDA's filing of its financial statements as provided in Section 7.10(B), if a Projected Cash Flow Statement has not been filed within the prior year and (iii) at such other times as required by this Resolution or as may be required by a Supplemental Resolution.

(B) A Projected Cash Flow Statement shall set forth projected Revenues, Program Expenses and interest payments and Principal Installments for each year during which Bonds will be Outstanding based upon the reasonable expectations of THDA at the time such Certificate is filed. A Projected Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon THDA's reasonable expectations at the time such Projected Cash Flow Statement is filed. The listing of Revenues from Program Loans and Investment Securities shall be supported by a schedule identifying the Program Loans and Investment Securities by maturity and interest rate, including Program Loans expected to be financed with amounts in the Loan Fund.

(C) A Projected Cash Flow Statement shall be considered to comply with this subsection if such Statement shows that (i) the estimated Revenues for each annual period in which Bonds will be Outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to this Resolution), will be sufficient for the payment of the estimated Debt Service and Program Expenses for such annual period, and (ii) the total assets (consisting of cash and investments, valued as provided herein, and the principal balance of Program Loans) held hereunder equal to or exceed the total liabilities of all Bonds Outstanding hereunder for each such annual period.

Section 7.12. The Program.

(A) THDA shall from time to time with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of this Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program,

to finance Program Loans pursuant to the Act and this Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Program Loans and, if not inconsistent with sound banking practices and principles, consent to modification of repayment terms of the Program Loans), sufficient to pay the expenses of the Program and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to protect its rights with respect to or to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans including the collection, custody and prompt application of all escrow payments required by the terms of a Program Loan for the purposes for which they were made.

(B) Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, THDA shall commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof and may otherwise take possession of or acquire such premises.

(C) THDA may at any time sell, assign or otherwise dispose of a Program Loan (or the premises to which such Program Loan related) or a Program Security:

(1) in the case of a Program Loan, in the event that payment under such Program Loan is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds the debt service on which is equivalent to the payments on the Program Loan; or

(3) a Projected Cash Flow Statement shall be filed with the Trustee which gives effect to the proposed sale thereof and complies with the conditions set forth in subsection 7.11(C).

Section 7.13. Personnel and Servicing of Programs.

(A) THDA shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Act and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by THDA shall be qualified for their respective positions.

(B) THDA may pay to any agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for THDA.

(C) THDA shall duly and properly service all Program Loans and enforce the payment and collection of all payments of principal and interest and all Escrow Payments or shall cause such servicing and/or enforcing to be done by a servicer evidencing, in the judgment of THDA, the capability and experience necessary to adequately service Program Loans. Each such servicer shall enter into a servicing agreement providing that:

(1) all amounts received by such servicer, except as compensation for its services, shall be promptly transferred to the Trustee subject to and in accordance with the provisions of this Resolution;

(2) such servicer shall at all times remain qualified to act as such pursuant to such standards as THDA shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Program Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in THDA's sole discretion, and shall maintain individual files for each Program Loan serviced pursuant to the servicing agreement and provide regular reports to THDA as to collections and delinquencies with respect to all Program Loans serviced by such servicer.

Section 7.14. Issuance of Additional Obligations.

(A) THDA shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which, except as provided in Section 5.1(C) hereof, will be secured by a superior or equal charge and lien on the revenues and assets pledged hereunder, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds under this Resolution on a parity with the Bonds of such initial Series of Bonds and secured, except as provided in Section 5.1(C) hereof, by an equal charge and lien on the revenues and assets pledged hereunder and payable equally therefrom for one or more of the purposes set forth in Section 2.4.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under this Resolution unless an Authorized Officer shall have certified that:

(1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) upon the issuance and delivery of such additional Bonds, the amount credited to the Bond Reserve Fund is at least equal to the Bond Reserve Fund Requirement, as valued not more than five (5) Business Days prior to the date of issuance of such additional Bonds;

(3) the provisions of Section 2.6 or, in the case of Refunding Bonds, Section 2.7 shall have been complied with as of the date of delivery of such Series;

(4) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, THDA shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution; and

(5) upon the issuance of such Series and application of the proceeds thereof in accordance with Article IV hereof, the amount of Program Loans and Investment Securities credited to all Funds and Accounts hereunder, other than the Redemption Account, when valued in accordance with this Resolution, will be equal to the principal amount of Outstanding Bonds, including the Bonds thereupon being issued.

(C) THDA hereby expressly reserves the right to enter into or adopt one or more additional indentures or resolutions for its purposes, including the purposes of the Program, and reserves the right to issue other obligations for such purposes.

Section 7.15. Bond Reserve Fund.

(A) THDA shall at all times maintain the Bond Reserve Fund created and established by Section 5.1 and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of THDA or the Trustee or the Paying Agents under the terms and provisions of Article V hereof. It is hereby expressly provided that the Bond Reserve Fund shall not constitute a “debt service reserve fund” within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

(B) Notwithstanding any other provisions of this Resolution the Trustee shall not permit amounts to be withdrawn from the Bond Reserve Fund other than pursuant to subsection 5.4(A) unless there shall have been filed with the Trustee a Certificate of an Authorized Officer stating that such amounts are not required to be retained therein to provide funds for the payment of Principal Installments or interest on Outstanding Bonds when due.

Section 7.16. Assignment of Program Loans Upon Default. Upon the happening of an Event of Default specified in Section 10.2 and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA shall deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee. If, however, the Trustee and the Bondholders are restored to their positions in accordance with Section 10.4, the Trustee shall assign such Program Loans back to THDA.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.1. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of THDA may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of THDA in this Resolution other covenants and agreements to be observed by THDA which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by THDA which are not contrary to or inconsistent with this Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon THDA by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of THDA contained in this Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues and Non-Mortgage Receipts or of any other revenues or assets;

(6) to accommodate the conversion of the Program to the purchase of Program Securities in addition to or in lieu of Program Loans;

(7) to modify any of the provisions of this Resolution in any respect whatever, but only if either (i) such modification shall not materially adversely affect the interest of the Bondholders (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondholders) or (ii) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding; or and, with respect to (ii) above, such modification is disclosed in any offering documents of THDA for Bonds issued subsequent to the date of adoption of the Supplemental Resolution; or

(8) to authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued.

Section 8.2. Supplemental Resolutions Effective Upon Consent of Trustee.

(A) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and THDA of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee in connection with the Program Loans.

(B) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 8.3. Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX.

Section 8.4. General Provisions.

(A) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of THDA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.7 or the right or obligation of THDA to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Resolution.

(B) Any Supplemental Resolution permitted or authorized by Section 8.1 or 8.2 may be adopted by THDA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon THDA.

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.1, 8.2 or 8.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(D) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

Section 9.1. Mailing and Publication of Notice of Amendment. Any provision in this Article for the mailing of a notice to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of THDA and (ii) to the Trustee.

Section 9.2. Powers of Amendment. Any modification of or amendment to this Resolution and of the rights and obligations of THDA and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3, with the written consent given as provided in Section 9.3, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its

written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on THDA and all holders of Bonds.

Section 9.3. Consent of Bondholders.

(A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 or 8.2 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed, by first class mail postage prepaid, by THDA to the holders of any registered Bond. Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 9.2 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by THDA in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon THDA and enforceable in accordance with its terms.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14. A Certificate by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.14. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with THDA and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by THDA on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by THDA by mailing such notice to the Bondholders, first class mail, postage prepaid, (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). THDA shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon THDA, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period, except that any Fiduciary and THDA during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 9.4. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of THDA and of the holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by THDA of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of THDA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and THDA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, THDA shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by THDA and the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If THDA or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and THDA shall be prepared, executed, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity, then Outstanding, upon surrender of such Bonds. All Bonds surrendered in such an exchange shall be cancelled by the Trustee.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is hereby declared an “Event of Default”:

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise shall not be made when and as the same shall become due; or

(2) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or

(3) THDA shall fail or refuse to comply with the provisions of this Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Section 10.2. Remedies.

(A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1 the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to acceleration of the Bonds pursuant to clause (5) below) shall proceed, in its own name, subject to the provisions of Section 11.3, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues and Non-Mortgage Receipts adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from THDA for principal, Redemption Price, interest or otherwise, under any provisions of this Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against THDA for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Non-Mortgage Receipts and of the assets of THDA relating to the Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default.

(A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, subject to Section 10.11, hereof as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of

principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to THDA, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case THDA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction

Section 10.6. Limitation on Rights of Bondholders.

(A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or by law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section, or any other provision of this Resolution, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party

litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Resolution.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Resolution to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal of or Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee and, (ii) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee.

(A) The Bond Finance Committee of THDA has been delegated the responsibility for choosing the initial Trustee pursuant to this Resolution. The Trustee shall signify its acceptance of the duties and obligations of the Trustee by executing a written acceptance of its obligations under this Resolution.

(B) The Trustee is hereby vested with all of the rights, powers and duties of a Trustee permitted to be appointed by Bondholders pursuant to the Act and the right of Bondholders to appoint a trustee pursuant to the Act is hereby abrogated as permitted by the Act.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents.

(A) THDA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent.

(B) Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by a written instrument of acceptance executed and delivered to THDA and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of THDA for the payment of the Bonds.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of THDA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to THDA. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to THDA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to THDA, the holders of any of the Bonds or any other person for any act or omission done or omitted to be done by such Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Resolution or for any act or omission done or omitted in good faith and without willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by THDA to any Fiduciary shall be sufficiently executed if executed in the name of THDA by an Authorized Officer.

Section 11.5. Compensation. THDA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees (whether or not litigation ensued and, if so, fees on trial and any appeal therefrom) and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under this Resolution. THDA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds issued hereunder with the same rights it would have if it were not a Fiduciary. Any Fiduciary may permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may participate as a lender under the Program and may sell Program Loans to THDA. Except as otherwise provided by THDA, no Fiduciary may act as an underwriter with respect to the issuance of any Bonds.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to THDA, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 11.8. Removal of Trustee. The Trustee shall be removed by THDA if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and THDA and signed by the holders of a majority

in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of THDA by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, THDA covenants and agrees that it will thereupon appoint a successor Trustee.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to THDA written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least $100,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to THDA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of THDA, or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from THDA be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by THDA. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Resolution shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Resolution as Trustee.

Section 11.11. Merger, Consolidation or Sale. Any company into which any Fiduciary or its trust department may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of authentication of the Trustee shall have.

Section 11.13. Resignation or Removal of the Paying Agent and Appointment of Successor.

(A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to THDA and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent, and the Trustee and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by THDA and (subject to the requirements of Section 7.6) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least $25,000,000, and willing and able to accept the office of Paying Agent, on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds.

(A) Any request, consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable:

(1) the fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) the amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a Certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depositary or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depositary the Bonds described in such Certificate. Continued ownership after the date stated in such Certificate may be proved by the presentation of such Certificate if the Certificate contains a statement by such officer that the depositary held the Bonds therein referred to on the date of the Certificate and that they will not be surrendered without the surrender of the Certificate to the depositary, except with the consent of the Trustee, and a Certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by THDA or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of this Resolution or any Supplemental Resolution (or microfilm, microcard or similar photographic or scanned reproduction thereof) shall be retained in its possession and shall be subject at all reasonable times to the inspection of THDA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

ARTICLE XII

DEFEASANCE
MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance.

(A) If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of THDA, execute and deliver to THDA all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to THDA all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If THDA shall pay or cause to be paid, or there shall otherwise be paid, to the holders of any Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of THDA to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) Bonds and interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) shall, at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, THDA shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on such Bonds; but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this Section, Investment Securities mean and include only direct and general obligations of the State or obligations guaranteed by the State or such obligations as are described in clause (1) of the definition of Investment Securities herein.

(C) If, through the deposit of moneys by THDA or otherwise, the Fiduciaries shall hold, pursuant to this Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which THDA shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of THDA all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or the redemption of such Outstanding Bonds. If all or a portion of the moneys made available to pay the principal of and interest on Outstanding Bonds at maturity or prior redemption shall have been derived from the issuance of refunding obligations of THDA, upon the written direction of THDA, the Fiduciaries shall reallocate or transfer all moneys, securities, Program Loans or Program Securities as shall be required by operation of the transferred proceeds provisions of the Code.

(D) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Bonds which remain unclaimed for five years (or such other period of time required by abandoned property laws of the State) after the date when all of such principal or interest, as the case may be, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years (or such other period of time required by abandoned property laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, to the extent required by State law, be paid by the Fiduciary to the State Treasurer or other appropriate official free from trust, and otherwise at the written request of THDA, be repaid by the Fiduciary to THDA, as its absolute property and free from trust, and, in either such case, the Fiduciary shall thereupon be released and discharged.

Section 12.2. Notice by Electronic Means. Any notice, direction or other communication given hereunder from THDA to the Rating Agencies or any Fiduciary or from any Fiduciary to THDA or the Rating Agencies, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation or delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Time, and otherwise on the next business day.

Section 12.3. Notices to Rating Agencies. To the extent not otherwise provided herein, the Trustee shall provide written notice to the Rating Agencies of any of the following occurrences: (i) the defeasance or discharge of this Resolution within the meaning of Section 12.1 hereof, (ii) the downgrade of the provider of any Investment Security described in paragraph (3) or (7) of the definition thereof below the rating requirement included in such paragraphs and the substitution of any provider thereof; (iii) the resignation or removal of the Trustee, (iv) the appointment of a successor Trustee, and (v) any amendment of this Resolution or any Supplemental Resolution.

Section 12.4. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of THDA contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of THDA and not of any officer or employee of THDA in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any member, officer or employee of THDA or any natural person executing the Bonds.

Section 12.5. Security Instrument. A certified copy of this Resolution, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Tennessee.

Section 12.6. Effective Date. This Resolution shall take effect immediately.

APPENDIX E

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Outstanding as of March 31, 2014 (unaudited)	Original Net Interest Cost(1)
2009-A	December 23, 2009	$100,000,000	--	$ 74,790,000	3.96%
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	118,665,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	84,310,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	80,025,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	90,865,000	3.01
2011-C/2009-B-5	November 3, 2011	65,290,000	34,710,000	92,005,000	3.01
TOTAL		$360,000,000	$300,000,000	$540,660,000	

(1) Bond yield.

As of February 28, 2014, 5,401 mortgage loans in the approximate aggregate principal amount of $519,843,634 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds, and will be available for the general purposes of THDA only as provided in the 2009 General Resolution).

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General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,147,067,000 total original principal amount of Bonds under the 1985 General Resolution, which were outstanding as shown on the table below:

Issue of Bonds	Dated	Issued	Outstanding as of March 31, 2014 (unaudited)	Original Net Interest Cost(1)
2004-3	January 13, 2005	100,000,000	$32,440,000	4.41
2005-1	July 28, 2005	100,000,000	37,610,000	4.33
2005-2	November 17, 2005	100,000,000	35,315,000	4.61
2006-1	April 27, 2006	100,000,000	33,710,000	4.66
2006-2	July 27, 2006	100,000,000	31,850,000	4.85
2006-3	October 31, 2006	100,000,000	41,675,000	4.58
2007-1	March 13, 2007	100,000,000	45,150,000	4.49
2007-2	June 6, 2007	120,000,000	56,695,000	4.53
2007-3	August 7, 2007	150,000,000	68,960,000	4.77
2007-4	October 30, 2007	150,000,000	76,385,000	4.79
2008-1	May 29, 2008	60,000,000	28,375,000	4.93
2008-2	August 7, 2008	50,000,000	3,735,000	5.28
2008-3	September 30, 2008	90,000,000	34,130,000	5.00
2009-1	June 11, 2009	50,000,000	33,010,000	4.39
2009-2	September 30, 2009	75,000,000	51,375,000	4.06
2010-1	October 13, 2010	120,700,000	76,155,000	3.57
2011-1	December 1, 2011	141,255,000	112,205,000	3.80
2012-1	July 19, 2012	133,110,000	118,340,000	3.26
2012-2	November 15, 2012	97,625,000	92,180,000	2.92
TOTAL		$1,937,690,000	$1,009,295,000	

(1) Bond yield.

As of February 28, 2014, 14,316 mortgage loans in the approximate aggregate principal amount of $1,059,228,814 were outstanding under the 1985 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1985 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1985 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1985 General Resolution.

Housing Bond Resolution (Mortgage Finance Program)(the "1974 General Resolution")

All bonds then outstanding under the 1974 General Resolution were refunded by the Issue 2013-1 Bonds issued under the General Resolution. Certain assets, including mortgage loans and investments, remain under the 1974 General Resolution and are available for general purposes of THDA as provided in the 1974 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX G

RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES

General

The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. No assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described below. The Issue 2014-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the “Code”). The limits vary from county to county and are periodically adjusted.

THDA’s current income limits range from $54,600 to $89,600 depending on household size and geographic location. THDA’s income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA’s acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA’s actual data which justifies a higher limit. THDA’s current maximum acquisition cost limits are either $240,000 or $275,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA’s Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf (“Originating Agents”). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a “first-come, first-serve” basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, up to 2% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and credit unions. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA’s Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a “first-come, first-serve” basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the

Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions to service THDA Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms or commercial banks. THDA may also service Program Loans. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval. THDA Servicers currently are U.S. Bank and Magna Bank.

THDA requires regular reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Single Family Programs and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

APPENDIX H

May 29, 2014

Tennessee Housing Development Agency
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, TN 37243-0200

Tennessee Housing Development Agency
Residential Finance Program Bonds
$25,975,000 Issue 2014-1A (AMT)
$4,525,000 Issue 2014-1B (Non-AMT)
$119,500,000 Issue 2014-1C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $25,975,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2014-1A (AMT) (the "Issue 2014-1A Bonds"), $4,525,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2014-1B (Non-AMT) (the "Issue 2014-1B Bonds") and $119,500,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2014-1C (Non-AMT) (the "Issue 2014-1C Bonds" and, together with the Issue 2014-1A Bonds and the Issue 2014-1B Bonds, the "Issue 2014-1 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2014-1 Bonds were authorized to be issued pursuant to the Act, the General Residential Finance Program Bond Resolution of THDA, adopted January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on January 30, 2014, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on April 23, 2014 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2014-1 Bonds (collectively, the "Residential Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2014-1 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2014-1 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2014-1 Bonds in order that interest on the Issue 2014-1 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2014-1 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2014-1 Bonds are valid and legally binding special, limited obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Residential Finance Program Bonds, including the Issue 2014-1 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2014-1 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2014-1 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2014-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2014-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2014-1B Bonds and the Issue 2014-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iv) interest on the Issue 2014-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (v) interest on the Issue 2014-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2014-1 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2014-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2014-1 Bonds may have to take interest on such Issue 2014-1 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2014-1 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2014-1 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2014-1 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES

*Delinquencies and Foreclosures as of December 31, 2013**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.27%, based on a total of 3,222 Program Loans as of December 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	34	$2,285,229	1.06%	2.00%[4]
VA Guaranteed	0	0	0.00	1.09
Privately insured	2	93,095	0.06	0.62
USDA/RD Guaranteed	4	360,679	0.12	(5)
Uninsured	1	80,065	0.03	(5)
TOTAL	41	$2,819,069[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.14%, based on a total of 3,222 Program Loans as of December 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	59	$3,220,099	1.83%	4.06%[4]
VA Guaranteed	1	38,722	0.03	2.56
Privately insured	5	457,840	0.16	1.12
USDA/RD Guaranteed	4	228,879	0.12	(5)
Uninsured	0	0	0.00	(5)
TOTAL	69	$3,945,541[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented for periods prior to June 30, 2013, includes data regarding Program Loans that were transferred to the General Resolution in connection with a prior Bond issuance under the General Resolution. This delinquency and foreclosure data does not include data regarding Program Loans financed with the proceeds of Issue 2013-1 Bonds and does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall rate of Program Loans in foreclosure was 1.45%, based on a total of 3,222 Program Loans as of December 31, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2013, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	42	$2,001,773	1.30%	2.14%[4]
VA Guaranteed	1	56,536	0.03	1.32
Privately insured	2	207,271	0.06	0.65
USDA/RD Guaranteed	2	143,988	0.06	(5)
Uninsured	0	0	0.00	(5)
TOTAL	47	$2,409,569[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

*Delinquencies and Foreclosures as of September 30, 2013**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.78%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	39	$2,518,169	1.44%	2.01%[4]
VA Guaranteed	0	0	0.00	1.11
Privately insured	1	83,133	0.04	0.65
USDA/RD Guaranteed	6	566,696	0.22	(5)
Uninsured	2	162,107	0.07	(5)
TOTAL	48	$3,330,105[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented for periods prior to June 30, 2013, includes data regarding Program Loans that were transferred to the General Resolution in connection with a prior Bond issuance under the General Resolution. This delinquency and foreclosure data does not include data regarding Program Loans financed with the proceeds of Issue 2013-1 Bonds and does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.55%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	64	$3,120,240	2.37%	4.21%(4)
VA Guaranteed	1	38,722	0.04	2.52
Privately insured	2	221,842	0.07	1.16
USDA/RD Guaranteed	2	75,435	0.07	(5)
Uninsured	0	0	0.00	(5)
TOTAL	69	$3,456,239(2)		

(1) Rounded figures.
(2) Rounded total,
(3) MBA data for Tennessee for the quarter ending September 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.63%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2013, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	36	$1,841,277	1.33%	2.16%(4)
VA Guaranteed	2	163,317	0.07	1.31
Privately insured	2	207,271	0.07	0.69
USDA/RD Guaranteed	4	279,643	0.15	(5)
Uninsured	0	0	0.00	(5)
TOTAL	44	$2,491,507(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

*Delinquency and foreclosure data presented for periods prior to June 30, 2013, includes data regarding Program Loans that were transferred to the General Resolution in connection with a prior Bond issuance under the General Resolution. This delinquency and foreclosure data does not include data regarding Program Loans financed with the proceeds of Issue 2013-1 Bonds and does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

*Delinquencies and Foreclosures as of June 30, 2013**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.58%, based on a total of 2,155 Program Loans as of June 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2013

	Program Loans			MBA[(3)]
Type of Mortgage	Number	Outstanding Balance [(1)]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	31	$1,457,383	1.44%	1.86%[(4)]
VA Guaranteed	0	0	0.00	1.06
Privately Insured	1	5,554	0.05	0.58
USDA/RD Guaranteed	2	149,572	0.09	(5)
Uninsured	0	0	0.00	(5)
TOTAL	34	$1,612,508[(2)]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.80%, based on a total of 2,155 Program Loans as of June 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2013

	Program Loans			MBA[(3)]
Type of Mortgage	Number	Outstanding Balance [(1)]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	74	$3,160,428	3.43%	3.68%[(4)]
VA Guaranteed	1	38,722	0.05	2.56
Privately Insured	4	364,384	0.19	1.05
USDA/RD Guaranteed	3	207,001	0.14	(5)
Uninsured	0	0	0.00	(5)
TOTAL	82	$3,770,535[(2)]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented as of June 30, 2013, includes data regarding Program Loans transferred to the General Resolution in connection with prior Bond issuances and Program Loans financed with the proceeds of prior Bonds issuances under the General Resolution. The delinquency and foreclosure data does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall rate of Program Loans in foreclosure was 2.04%, based on a total of 2,155 Program Loans as of June 30, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2013, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	36	$1,841,723	1.67%	2.63%[4]
VA Guaranteed	2	163,317	0.09	1.33
Privately Insured	2	207,271	0.09	0.67
USDA/RD Guaranteed	4	281,524	0.19	(5)
Uninsured	0	0	0.00	(5)
TOTAL	44	$2,493,835[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquencies and Foreclosures as of March 31, 2013**

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.52%, based on a total of 1,707 Transferred Program Loans as of March 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	22	$1,340,709	1.84%	1.60%[4]
VA Guaranteed	1	80,271	4.00	0.99
Privately Insured	1	53,336	0.61	0.54
USDA/RD Guaranteed	2	108,697	1.54	(5)
Uninsured	0	0	0.00	(5)
TOTAL	26	$1,583,013[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented for periods prior to June 30, 2013, includes data regarding Program Loans that were transferred to the General Resolution in connection with a prior Bond issuance under the General Resolution. This delinquency and foreclosure data does not include data regarding Program Loans financed with the proceeds of Issue 2013-1 Bonds and does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.98%, based on a total of 1,707 Transferred Program Loans as of March 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured.........................	77	$3,596,527	6.45%	4.08%[4]
VA Guaranteed....................	1	38,722	4.00	2.69
Privately Insured..................	3	277,883	1.83	1.25
USDA/RD Guaranteed.........	3	161,491	2.31	[5]
Uninsured	1	93,233	0.52	[5]
TOTAL	85	$4,167,856[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.29%, based on a total of 1,707 Program Loans as of March 31, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of March 31, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2013, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [2]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured.........................	19	$863,633	0.42%	2.61%[4]
VA Guaranteed....................	0	0	0.00	1.27
Privately Insured..................	1	87,061	0.00	0.78
USDA/RD Guaranteed.........	2	180,108	0.00	[5]
Uninsured	0	0	0.00	[5]
TOTAL	22	$1,130,803[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data presented as of June 30, 2013, includes data regarding Program Loans transferred to the General Resolution in connection with prior Bond issuances and Program Loans financed with the proceeds of prior Bonds issuances under the General Resolution. The delinquency and foreclosure data does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

Tennessee Housing Development Agency

Leading Tennessee Home

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2014-2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2014-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (ii) interest on the Issue 2014-2B Bonds and the Issue 2014-2C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2014-2B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), and (iv) interest on the Issue 2014-2C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2014-2 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2014-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Residential Finance Program Bonds
$27,885,000 Issue 2014-2A (AMT)
$5,070,000 Issue 2014-2B (Non-AMT)
$117,045,000 Issue 2014-2C (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2014-2A Bonds (the "Issue 2014-2A Bonds"), the Issue 2014-2B Bonds (the "Issue 2014-2B Bonds") and the Issue 2014-2C Bonds (the "Issue 2014-2C Bonds" and, together with the Issue 2014-2A Bonds and the Issue 2014-2B Bonds, the "Issue 2014-2 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F "BOOK-ENTRY-ONLY SYSTEM." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on July 1, 2015, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein.

The Offered Bonds are subject to redemption prior to their stated maturities at the times, at the redemption prices and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are special limited obligations of the Tennessee Housing Development Agency ("THDA") payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about November 20, 2014.

RBC CAPITAL MARKETS

CITIGROUP **RAYMOND JAMES**

J.P. MORGAN **WELLS FARGO SECURITIES**

J.J.B. HILLIARD, W.L. LYONS, LLC

October 15, 2014

†Interest on the Issue 2014-2C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$27,885,000 Issue 2014-2A (AMT)

$27,885,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number(1)
July 1, 2045 (PAC)	$27,885,000	4.00%	880461DN5

$5,070,000 Issue 2014-2B (Non-AMT)

$5,070,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number(1)	Principal Amount Due July 1	Interest Rate	CUSIP Number(1)
2016				$ 850,000	0.40%	880461DP0
2017				965,000	0.70	880461DQ8
2019	$1,155,000	1.30%	880461DR6	2,100,000	1.40	880461DS4

$117,045,000 Issue 2014-2C (Non-AMT)†

$22,895,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number(1)	Principal Amount Due July 1	Interest Rate	CUSIP Number(1)
2015				$ 395,000	0.25%	880461DT2
2016	$1,205,000	0.29%	880461DU9	360,000	0.40	880461DV7
2017	1,220,000	0.60	880461DW5	265,000	0.70	880461DX3
2018	1,240,000	0.95	880461DY1	1,250,000	1.05	880461DZ8
2019	105,000	1.30	880461EA2	-		
2020	1,290,000	1.70	880461EB0	1,305,000	1.80	880461EC8
2021	1,325,000	1.90	880461ED6	1,345,000	2.00	880461EE4
2022	1,360,000	2.20	880461EF1	1,385,000	2.30	880461EG9
2023	1,410,000	2.45	880461EH7	1,435,000	2.50	880461EJ3
2024	1,460,000	2.60	880461EK0	1,485,000	2.65	880461EL8
2025	1,515,000	2.70	880461EM6	1,540,000	2.75	880461EN4

$94,150,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number(1)
July 1, 2029	$13,550,000	3.05%	880461EP9
July 1, 2034	20,410,000	3.40	880461EQ7
July 1, 2039	14,760,000	3.55	880461ER5
January 1, 2045 (PAC)	29,000,000	4.00	880461ES3
July 1, 2045	16,430,000	3.65	880461ET1

PRICE OF ISSUE 2014-2A BONDS DUE JULY 1, 2045 (PAC): 110.090%

PRICE OF ISSUE 2014-2C BONDS DUE JANUARY 1, 2045 (PAC): 110.783%

PRICE OF ALL REMAINING ISSUE 2014-2 BONDS: 100.00%

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(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

† Interest on the Issue 2014-2C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisor

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Residential Finance Program Bonds

$27,885,000 Issue 2014-2A (AMT)
$5,070,000 Issue 2014-2B (Non-AMT)
$117,045,000 Issue 2014-2C (Non-AMT)†

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Residential Finance Program Bonds, Issue 2014-2A in the aggregate principal amount of $27,885,000 (the "Issue 2014-2A Bonds"), Issue 2014-2B in the aggregate principal amount of $5,070,000 (the "Issue 2014-2B Bonds") and Issue 2014-2C in the aggregate principal amount of $117,045,000 (the "Issue 2014-2C Bonds" and, together with the Issue 2014-2A Bonds and the Issue 2014-2B Bonds, the "Issue 2014-2 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Residential Finance Program Bond Resolution, adopted by THDA on January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 29, 2014, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on October 15, 2014 (the "Issue 2014-2 Supplemental Resolution"). The General Resolution and the Issue 2014-2 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2014-2 Bonds on July 28, 2014.

The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of August 31, 2014 (unaudited), Bonds in the aggregate principal amount of $464,140,000 were outstanding under the Resolution, bonds in the aggregate principal amount of $895,665,000 were outstanding under THDA's Homeownership Program Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $512,150,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution"). As of August 31, 2014, no bonds were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution"). All assets under the 1974 General Resolution have been transferred to the General Resolution. For more information see "RESIDENTIAL FINANCE PROGRAM LOANS-Description of Residential Finance Programs Loans-Transfer of Assets".

Bonds issued under the Resolution, including the Offered Bonds, are and will be special limited obligations of THDA, payable solely from the revenues and assets of THDA pledged under the Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". All bonds issued under the Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

† Interest on the Issue 2014-2C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

The revenues and assets of THDA pledged under the Resolution are not pledged as security for bonds outstanding or as may be issued under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution, respectively, are not pledged as security for the Offered Bonds. See Appendix E for a description of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution.

THDA may, in the future, elect to issue bonds under the General Resolution or under the 1974 General Resolution, the 1985 General Resolution and/or the 2009 General Resolution. No assurances can be given as to whether THDA may elect to issue bonds under any one of the referenced general resolutions in the future or which of the referenced general resolutions may be selected. Any mortgage loans and investments financed with the proceeds of any new bonds issued under any of the referenced general resolutions, except for the General Resolution, and the revenues therefrom will not be pledged to the payment of Bonds under the General Resolution, including the Offered Bonds.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA expects to use the proceeds from the issuance of the Issue 2014-2A Bonds and the Issue 2014-2B Bonds to (i) refund all Issue 2005-1 Bonds issued and outstanding under the 1985 General Resolution (the "Prior Bonds") and (ii) make a deposit to the Bond Reserve Fund. As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $34,300,000 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS" for information about the Transferred Program Loans. In addition, other investments allocable to the Prior Bonds in the projected amount of approximately $425,000 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on January 1, 2015, at a redemption price of 100% of the principal amount thereof plus accrued interest. No assurance can be provided that the Prior Bonds will actually be refunded.

THDA expects that the proceeds of the Issue 2014-2C Bonds will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Bond Reserve Fund. See "APPLICATION OF BOND PROCEEDS." The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" and in Appendix G.

As used herein, the term "Program Loans" refers to all mortgage loans (including participations therein) financed under the General Resolution, including the Transferred Program Loans and mortgage loans to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (including participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described or otherwise referred to in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2014-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. While the 2014-2 Supplemental Resolution provides that all

Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Currently, THDA's Program Loan portfolio includes only first lien, fixed interest rate single-family Program Loans with equal monthly installments of principal and interest. As of August 31, 2014 (unaudited), 5,883 Program Loans were outstanding under the Resolution having an aggregate outstanding principal balance of approximately $472,707,090. Based on the outstanding principal balance of Program Loans as of August 31, 2014, approximately 85.41% were FHA insured, approximately 3.05% were VA guaranteed, approximately 2.72% were insured by private mortgage insurance companies, approximately 5.34% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 3.48% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "RESIDENTIAL FINANCE PROGRAM LOANS – Residential Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, and certain provisions of the Act, the General Resolution, the Issue 2014-2 Supplemental Resolution and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Issue 2014-2 Supplemental Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee. The General Resolution is attached hereto as Appendix D "2013 GENERAL RESOLUTION". **Certain capitalized terms utilized herein are defined in Appendix D hereto.**

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "BOOK-ENTRY-ONLY SYSTEM" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2014-2 Bonds and is payable on July 1, 2015, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

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Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2014-2A Bonds maturing on July 1, 2045, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2016, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-2A
PAC Term Bonds Due July 1, 2045

Year	Amount Due January 1	Amount Due July 1	
2016	$270,000	$270,000	
2017	275,000	280,000	
2018	285,000	290,000	
2019	295,000	300,000	
2020	305,000	310,000	
2021	315,000	320,000	
2022	330,000	335,000	
2023	340,000	345,000	
2024	350,000	360,000	
2025	365,000	370,000	
2026	375,000	385,000	
2027	390,000	395,000	
2028	405,000	410,000	
2029	415,000	425,000	
2030	430,000	440,000	
2031	445,000	455,000	
2032	465,000	470,000	
2033	480,000	490,000	
2034	500,000	505,000	
2035	515,000	525,000	
2036	535,000	540,000	
2037	550,000	560,000	
2038	570,000	580,000	
2039	590,000	600,000	
2040	615,000	625,000	
2041	635,000	645,000	
2042	660,000	670,000	
2043	680,000	690,000	
2044	705,000	720,000	
2045	735,000	750,000	(maturity)

The Issue 2014-2C Bonds maturing on July 1, 2029, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2026, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-2C
Term Bonds Due July 1, 2029

Year	Amount Due January 1	Amount Due July 1	
2026	$1,575,000	$1,610,000	
2027	1,640,000	1,675,000	
2028	1,710,000	1,745,000	
2029	1,780,000	1,815,000	(maturity)

The Issue 2014-2C Bonds maturing on July 1, 2034, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2030, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-2C
Term Bonds Due July 1, 2034

Year	Amount Due January 1	Amount Due July 1	
2030	$1,850,000	$1,890,000	
2031	1,935,000	1,970,000	
2032	2,015,000	2,060,000	
2033	2,100,000	2,150,000	
2034	2,195,000	2,245,000	(maturity)

The Issue 2014-2C Bonds maturing on July 1, 2039, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2035, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-2C
Term Bonds Due July 1, 2039

Year	Amount Due January 1	Amount Due July 1	
2035	$2,290,000	$2,345,000	
2036	1,740,000	1,115,000	
2037	1,140,000	1,170,000	
2038	1,195,000	1,225,000	
2039	1,255,000	1,285,000	(maturity)

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The Issue 2014-2C Bonds maturing on January 1, 2045, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2016, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-2C
PAC Term Bonds Due January 1, 2045

Year	Amount Due January 1	Amount Due July 1
2016	$ 285,000	$295,000
2017	295,000	300,000
2018	305,000	310,000
2019	315,000	325,000
2020	330,000	335,000
2021	340,000	345,000
2022	350,000	355,000
2023	360,000	370,000
2024	375,000	380,000
2025	385,000	395,000
2026	395,000	400,000
2027	410,000	415,000
2028	420,000	430,000
2029	440,000	445,000
2030	455,000	460,000
2031	470,000	480,000
2032	485,000	495,000
2033	505,000	510,000
2034	520,000	530,000
2035	540,000	545,000
2036	555,000	570,000
2037	580,000	590,000
2038	600,000	610,000
2039	620,000	630,000
2040	640,000	650,000
2041	665,000	675,000
2042	685,000	700,000
2043	710,000	725,000
2044	735,000	745,000
2045	1,215,000 (maturity)	

The Issue 2014-2C Bonds maturing on July 1, 2045, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2040, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2014-2C
Term Bonds Due July 1, 2045

Year	Amount Due January 1	Amount Due July 1
2040	$1,310,000	$1,345,000
2041	1,375,000	1,410,000
2042	1,440,000	1,475,000
2043	1,515,000	1,550,000
2044	1,585,000	1,585,000
2045	1,070,000	770,000 (maturity)

Optional Redemption. The Issue 2014-2 Bonds maturing on and after January 1, 2025, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after July 1, 2024, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Special Mandatory Redemption of PAC Bonds. The Issue 2014-2A Bonds maturing July 1, 2045 (the "Issue 2014-2A PAC Bonds") and the Issue 2014-2C Bonds maturing January 1, 2045 (the "Issue 2014-2C PAC Bonds" and, together with the Issue 2014-2A PAC Bonds, the "PAC Bonds") are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2014-2 Principal Payments (as defined below). Any Excess 2014-2 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2015; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2014-2 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds"), as determined by THDA, then available Excess 2014-2 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2014-2 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds shall first be applied to redeem PAC Bonds on a pro rata basis and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2014-2 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the then Outstanding PAC Bonds' proportionate amount of all Issue 2014-2 Bonds then Outstanding, and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

"Excess 2014-2 Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount applicable to each PAC Bond for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the Issue 2014-2A PAC Bonds and Issue 2014-2C PAC Bonds, respectively, assumed to be redeemed from Excess 2014-2 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 100% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds" for a description of PSA prepayment rates.

The Planned Amortization Amounts for the Issue 2014-2A PAC Bonds and Issue 2014-2C PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $34,300,000 with an approximate weighted average maturity of

251 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 100% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedules

Date	Issue 2014-2A PAC Bonds Planned Amortization Amount	Issue 2014-2C PAC Bonds Planned Amortization Amount
July 1, 2015	$ 935,000	$ 975,000
January 1, 2016	1,945,000	2,035,000
July 1, 2016	3,265,000	3,415,000
January 1, 2017	4,875,000	5,095,000
July 1, 2017	6,760,000	7,050,000
January 1, 2018	8,780,000	9,165,000
July 1, 2018	10,745,000	11,205,000
January 1, 2019	12,615,000	13,155,000
July 1, 2019	13,995,000	14,595,000
January 1, 2020	15,695,000	16,365,000
July 1, 2020	17,310,000	18,045,000
January 1, 2021	18,845,000	19,640,000
July 1, 2021	20,300,000	21,145,000
January 1, 2022	21,675,000	22,575,000
July 1, 2022	22,970,000	23,920,000
January 1, 2023	24,195,000	25,180,000
July 1, 2023	25,345,000	26,365,000
January 1, 2024	26,415,000	27,475,000
July 1, 2024	27,415,000	28,510,000
January 1, 2025	27,885,000	29,000,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent the related PAC Bonds are redeemed from amounts on deposit in the Issue 2014-2 Bonds Subaccount of the Loan Fund not applied to finance Program Loans.

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds."

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans as described below under the heading "DESCRIPTION OF OFFERED BONDS – Redemption of Offered Bonds from Unexpended Proceeds"; (ii) except as otherwise described under the headings "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds", and " – Mandatory Redemption – 10 Year Rule", repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the, "Code"), (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds", (b) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of the PAC Bond to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedules and (c) shall be redeemed on a pro rata basis to the extent of any such special optional redemption. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) of the preceding paragraph shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be so redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) of the preceding paragraph and, to the extent PAC Bonds are redeemed pursuant to any special optional redemption, the PAC Bonds shall be redeemed on a pro rata basis. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS – THDA Redemption Practices".

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds (including Sinking Fund Payments) or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," the Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the related Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedules only if there are no other Offered Bonds outstanding and if the PAC Bonds are to be redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
November 20, 2014	17.02%
July 28, 2015	22.66
November 20, 2024	100.00

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on July 1, 2015, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2014-2 Bonds Subaccount of the Loan Fund on June 1, 2015, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2014-2 Supplemental Resolution, including without limitation, provision of a Projected Cash Flow Statement.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Offered Bonds are subject to mandatory redemption on May 20, 2018, to the extent any amounts remain on deposit in the Issue 2014-2 Bonds Subaccount of the Loan Fund on April 15, 2018.

Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding and, to the extent PAC Bonds are redeemed, the PAC Bonds shall be redeemed on a pro rata basis.

Selection By Lot

If less than all of the Issue 2014-2 Bonds of like series and maturity are to be redeemed, the particular Issue 2014-2 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth, in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2014-2 Bonds will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 150,000,000.00
Premium on Issue 2014-2A PAC Bond	2,813,596.50
Premium on Issue 2014-2C PAC Bond	3,127,070.00
Transferred Program Loans	34,300,000.00
Transferred Investments	427,987.00
TOTAL SOURCES	$ 190,668,653.50
USES	
Deposit to Loan Fund(1)	$ 151,345,000.00
Redemption of Prior Bonds	32,955,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	1,053,494.08
Deposit to Bond Reserve Fund	4,125,000.00
Costs of Issuance	243,500.00
Underwriters' Fee	946,659.42
TOTAL USES	$ 190,668,653.50

(1) Includes $117,045,000 in proceeds from Issue 2014-2C plus approximately $34,300,000 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable solely from the revenues and assets of THDA pledged under the Resolution. Subject only to the provisions of the Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the Resolution;

(c) All Funds and Accounts created by the Resolution, including the Bond Reserve Fund, and monies and securities therein (see Appendix D “2013 GENERAL RESOLUTION”); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the Resolution.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. In accordance with the Act and the Resolution, THDA has established a Bond Reserve Fund for the Bonds. The Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the “Bond Reserve Fund Requirement.” The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each series of Bonds established in the Supplemental Resolution authorizing such series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities. On the date of issuance of the Offered Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, on any Interest Payment Date or Redemption Date, there is not a sufficient amount available in the Revenue Fund and the Redemption Fund, if applicable, to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the extent necessary to make good the deficiency.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds and other outstanding bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D “2013 GENERAL RESOLUTION” for a description of Projected Cash Flow

Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

It is a condition to the issuance of the Offered Bonds that THDA shall have prepared and filed a Projected Cash Flow Statement (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement will be based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $34,300,000, with a weighted average maturity of approximately 251 months and a weighted average interest rate of approximately 5.30%, will be allocated to the Offered Bonds and (ii) THDA originates approximately $117,045,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 3.86%. The Projected Cash Flow Statement shall evidence that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions to be used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2014-2 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. Although THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Choice Program Loans, New Start Program Loans, and Homeownership for the Brave Program Loans, THDA does not expect to use proceeds of the Offered Bonds to make New Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" for descriptions of the various Program Loan products and Appendix G "RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2014-2C Bonds will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 3.86% and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans in connection with the sale of bonds by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds; however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans as described may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2014-2C Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from Issue 2014-2C Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds on October 1, 2014. As of October 7, 2014, THDA has committed a total principal amount of approximately $2,000,000 of Program Loans, all of which are Great Choice Program Loans and Homeownership for the Brave Program Loans, that will be allocated to the Offered Bonds. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans". Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased.

Disruption in Mortgage Market and Other Financial Markets

The mortgage and financial markets have recently been subject to significant disruptions, including limited liquidity. Continuing instability in the mortgage market that adversely impacts financial institution participants may result in delays in originating Program Loans or failure to originate Program Loans which could result in redemption of the Offered Bonds. See "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds".

Instability in the mortgage markets, increases in delinquencies and defaults and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers and mortgage insurers. These pressures may have an adverse impact on transaction participants and their ability to conduct business. THDA can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of such participants to perform their obligations in connection with the Offered Bonds.

If a significant default or other financial crisis should occur in the affairs of the United States or any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

Over the past several years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. These guidelines stated that FHA would formulate a program for modification of FHA loans. FHA released the details of the program called the Home Affordable Modification Program ("HAMP") on July 31, 2009, with an effective date of August 15, 2009. By letter dated November 3, 2009, THDA received a variance to the HAMP requirements. As a consequence, THDA is not obligated to satisfy HAMP requirements with respect to Program Loans.

The Hardest Hit Housing Markets (HFA Hardest Hit Fund) initiative, under the Emergency Economic Stabilization Act of 2008, is designed to support foreclosure prevention and housing market stabilization initiatives (the "HHF Program"). THDA is administering the HHF Program in Tennessee and was awarded $217 million which will provide loans to unemployed or substantially underemployed homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. Loan proceeds will be used to pay all mortgage and mortgage-related expenses (e.g., property taxes, homeowner insurance, homeowner dues) up to $40,000 for up to 36 months. For homeowners who have found a new job, but during a period of unemployment accumulated payment arrearages, reinstatement assistance will be available. Homeowners with THDA Program Loans may be eligible for the HHF Program. As of August 31, 2014, 6,956 loans made under the HHF Program have closed. Of these, 60 HHF Program loans, with an aggregate principal balance of approximately $3,846,665, have been made with respect to Program Loans previously financed under the Resolution or the Transferred Program Loans. None of the HHF Program loans are pledged as security for the Bonds.

The Tennessee Attorney General and Reporter participated in the lawsuit brought by 49 states attorneys general against the five largest mortgage loan servicers in the United States. This lawsuit resulted in a settlement under which the affected servicers must, among other things, pay states attorneys general certain sums (the "AG Settlement"). The Tennessee Attorney General and Reporter made $25,000,000 of the AG Settlement amount paid to Tennessee available to THDA for a program to assist borrowers who are at risk of foreclosure due to unexpected medical events. On July 1, 2012, THDA implemented a program that includes all HHF Program requirements described above; however, long term medical hardship is also an eligibility requirement (the "AG Settlement Program"). As of August 31, 2014, 679 loans made under the AG Settlement have closed. Of these, 4 AG Settlement Program loans, with an aggregate principal balance of approximately $161,067, have been made with respect to Program Loans previously financed under the Resolution or the Transferred Program Loans. None of the AG Settlement Program loans are pledged as security for the Bonds.

In addition to federal governmental actions designed to address economic difficulties, both the federal government and private lending institutions have undertaken programs to assist borrowers in refinancing their outstanding mortgage loans. On February 1, 2012, for example, USDA/RD announced its Single Family Housing Guaranteed Rural Refinance Pilot Program. The pilot program is intended to assist existing borrowers in refinancing USDA/RD guaranteed mortgage loans with greater speed and ease. Borrowers will be able to secure lower interest rates and payments without the need of obtaining a new appraisal or new property inspections. Additionally, on March 6, 2012, the Obama Administration announced a new streamlined refinancing plan under which FHA, effective June 11, 2012, reduced its upfront and annual mortgage insurance premiums for refinancings of FHA insured mortgage loans originated before June 1, 2009. These programs have had minimal effect on the THDA Program Loan portfolio.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the Resolution, the resolutions to be adopted in connection with other series of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "- Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution specifies, and the resolutions to be adopted in connection with other series of Bonds under the General Resolution will specify, when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and series to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other series of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Bond Reserve Fund contain amounts sufficient to meet the requirements of the Resolution. See Appendix D "2013 GENERAL RESOLUTION" for a description of Program Expenses. While Costs of Issuance and Underwriters' fees associated with the Offered Bonds and expected to be paid from proceeds of the Offered Bonds, THDA may use funds on deposit in the Debt Service and Expense Account of the Revenue Fund to pay such Costs of Issuance and Underwriters' fees in future transactions. In addition, THDA expects to pay certain Program Expenses, including ongoing Trustee's fees and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from the General Resolution, the other THDA bond resolutions, and from other resources available to THDA. No assurances can be provided that THDA will not withdraw funds from the Resolution in the future to pay all Program Expenses. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds". THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until November 20, 2017, 0.50% per annum until November 20, 2020, 1.00% per annum until November 20, 2024, and 1.25% per annum thereafter; and (iii) funds on deposit in the Issue 2014-2 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will

prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading “DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds”, and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2014-2 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $34,300,000 of Transferred Program Loans with an approximate weighted average maturity of 251 months and an approximate weighted average interest rate of 5.30% will be allocated to the Offered Bonds, (iii) Excess 2014-2 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the related Planned Amortization Amounts as described under the heading “DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds” and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see “DESCRIPTION OF TRANSFERRED PROGRAM LOANS” herein.

Projected Weighted Average Lives For PAC Bonds

PSA Speed	Issue 2014-2A PAC Bond Average Life (in years)	Issue 2014-2C PAC Bond Average Life (in years)
0%	17.7	17.5
25	13.2	13.1
50	8.7	8.7
75	6.2	6.2
100	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	4.3	4.3

RESIDENTIAL FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $487,205,000 total original principal amount of bonds under the General Resolution, of which $464,140,000 (unaudited) were outstanding as of August 31, 2014, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of August 31, 2014 (unaudited)	Original Net Interest Cost[(1)]
Issue 2013-1	May 30, 2013	$215,905,000	$196,480,000	3.13%
Issue 2013-2	November 19, 2013	121,300,000	117,660,000	3.59
Issue 2014-1	May 29, 2014	150,000,000	150,000,000	3.20
TOTAL		$487,205,000	$464,140,000	

(1) Bond yield.

Origination Experience

THDA's experience from May 30, 2013, to August 31, 2014, regarding origination of Program Loans[(1)] from lendable proceeds of Bonds issued under the General Resolution since May 30, 2013, is shown in the following table:

Issue of Bonds	Lendable Proceeds[(2)]	Program Loans Financed[(3)] as of August 31, 2014 Amount	%	Weighted Average Interest Rate[(4)]
Issue 2013-1	$135,268,395	$135,268,395	100.00%	4.11%
Issue 2013-2	78,421,003	78,421,003	100.00	4.60
Issue 2014-1	119,728,634	80,258,282	67.03	4.08
TOTAL	$333,418,032	$293,947,680		

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for more information about Program Loans.

(2) Excludes proceeds that must be lent at 0% interest as participations in other Program Loans.

(3) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

(4) The weighted average interest rate relates only to new loans made from the lendable proceeds of the related bond issue and does not include any transferred loans derived from any refunding component of the related bond issue.

THDA began committing Program Loans against the expected lendable proceeds from the Offered Bonds on October 1, 2014, and as of October 7, 2014, THDA has committed a total principal amount of approximately $2,000,000 of Program Loans that will be allocated to the Offered Bonds, all of which are Great Choice Program Loans or Homeownership for the Brave Program Loans. THDA expects to reimburse itself for the full original principal amount of the Program Loans purchased as of the day of closing.

RESIDENTIAL FINANCE PROGRAM LOANS

Description of Residential Finance Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits and THDA Acquisition Cost Limits for all loan programs are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits are either $240,000 or $275,000 depending on geographic location. The THDA Household Income Limits range from $54,600 to $89,600 depending on household size and geographic location. See Appendix G for a description of Residential Finance Program Loan Procedures related to Code requirements.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program

Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2014-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance. While the 2014-2 Supplemental Resolution provides that all Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Since April 15, 2009, THDA has applied underwriting standards for Program Loans made after that date that, among other things include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. Program Loans financed prior to such date, including the Transferred Program Loans, were underwritten under different underwriting standards. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

On or before September 30, 2013, the THDA primary loan program included Great Rate loans, Great Advantage loans, Great Start loans and Homeownership for the Brave loans, all as described below. Transferred Program Loans financed prior to September 30, 2013, are Great Rate, Great Advantage, Great Start or Homeownership for the Brave Program Loans. On and after October 1, 2013, the THDA primary loan program includes Great Choice Program loans and Homeownership for the Brave Program loans, all as described below.

On or before September 30, 2013, THDA provided downpayment and closing cost assistance in the form of a grant that was available in connection with Great Start and Great Advantage Program Loans. Higher interest rates on these two Program Loan types reimbursed THDA for the grants made. On and after October 1, 2013, THDA provided downpayment and closing cost assistance in the form of Great Choice Plus Program Loans as described below.

Great Choice Program Loans

Since October 1, 2013, THDA has made Great Choice Program Loans available to eligible borrowers. Great Choice Program Loans are thirty year, fixed interest rate loans, fully amortized with full documentation and secured by a first lien on the property purchased. The interest rate for Great Choice Program Loans is set at a rate which results in the yield on such Program Loans not in excess of 1.125% above the yield on the related issue of bonds. The interest rate for Great Choice Program Loans prior to October 1, 2014, was 3.99%. Beginning on October 1, 2014, the interest rate for Great Choice Program Loans is 4.20%.

Great Choice Plus Loans

Since October 1, 2013, THDA has made Great Choice Plus loans available to eligible borrowers. Great Choice Plus loans are loans for downpayment and closing cost assistance and are available at the election of eligible borrowers in connection with Great Choice Program Loans. From October 1, 2013, to September 30, 2014, they were ten year, 0% interest rate loans in a principal amount equal to 4% of the purchase price of the property purchased. Beginning October 1, 2014, Great Choice Plus Loans are 0% interest, deferred, forgivable second lien loans with a fifteen year term. During the first ten years of the term, no monthly payments will be due, but each Great Choice Plus loan will be due on sale and the amount due will be the full original principal amount of the loan. From years eleven through fifteen, each Great Choice Plus loan will be forgiven at twenty percent per year and the amount due on sale will be reduced by the forgiven amount. Great Choice Plus loans are secured by a second lien on the property purchased, are due on sale and are not assumable.

At the election of THDA, Great Choice Plus loans may be financed with proceeds of Bonds issued under the Resolution or from other resources available to THDA, including, without limitation, excess funds under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. To date, all Great Choice Plus loans have been financed with other resources available to THDA and will not be funded with the proceeds of the Offered Bonds. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Great Choice Plus loans with the proceeds of such Bonds. In the event proceeds of future series of Bonds are used to fund Great Choice Plus loans, such loans will constitute Program Loans, will be subject to the lien of the General Resolution and will be a portion of the sources of payment of and security for the Bonds.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of 60% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. An interest rate equal to one-half of the current interest rate for Great Choice Program Loans is available to borrowers who have a maximum family income of 70% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. All other THDA Program Loan requirements remain applicable. As of August 31, 2014 (unaudited), 248 New Start Program Loans, with an aggregate principal balance of approximately $17,090,033, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other Bonds.

Homeownership for the Brave

Homeownership for the Brave Program Loans are available to eligible borrowers at a ½-percentage point reduction on the otherwise applicable loan program. Active and retired members of the military and reservists (180 days active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of August 31, 2014 (unaudited), 102 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $11,455,024, were outstanding under the General Resolution. Eligible borrowers will also be eligible for Great Choice Plus loans. THDA may continue to finance Homeownership for the Brave Loans, from time to time, from the proceeds of the Offered Bonds as well as from the proceeds of other Bonds.

Disaster Relief and Economic Recovery Mortgage Program

THDA made Disaster Relief and Economic Recovery Mortgage Program Loans from funds available under the 1974 General Resolution. In connection with Issue 2013-1 Bonds issued under the General Resolution, certain of these Disaster Relief and Economic Recovery Program Loans became Transferred Program Loans allocable to the Issue 2013-1 Bonds under the General Resolution. As of August 31, 2014 (unaudited), 84 Disaster Relief Program Loans, with an aggregate principal balance of approximately $4,573,903, were outstanding under the General Resolution. THDA no longer makes loans of this type.

Great Rate/Great Advantage/Great Start Program Loans

Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were available to qualified borrowers who had loan applications dated on or before September 30, 2013. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan were established at rates which resulted in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds.

An amount equal to 4% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA financed this downpayment and closing cost assistance from excess revenues available outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance.

Although Transferred Program Loans are Great Rate or Great Start Program Loans, THDA no longer makes loans of this type.

Transfer of Assets

All assets held under the 1974 General Resolution have been transferred to the General Resolution. Loans in the outstanding principal amount of approximately $24,370,000, as of June 30, 2014, (the "1974 General Resolution Transferred Loans"), together with cash and investments in the amount of approximately $23,800,000 valued at par, as of June 30, 2014, were transferred and are pledged as security under the General Resolution. The 1974 General Resolution Transferred Loans do not constitute "Program Loans" as defined under the General Resolution and will not be included in the calculation of the Bond Reserve Fund Requirement. Notwithstanding the foregoing, 1974 General Resolution Transferred Loans are included as "Program Loans" for purposes of describing the portfolio of Program Loans held as security for the Bonds under the General Resolution.

Residential Finance Program Portfolio Data

General

As of August 31, 2014 (unaudited), 5,883 Program Loans for single family owner-occupied housing having an aggregate outstanding principal amount of approximately $472,707,090 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 306.15 months and an approximate weighted average interest rate of 4.64%.

All tables under this heading, "Residential Finance Program Portfolio Data", include data about 1974 General Resolution Transferred Loans, but do not include data about Transferred Program Loans. For more information about 1974 General Resolution Transferred Loans see "RESIDENTIAL FINANCE PROGRAM LOANS-Description of Residential Finance Program Loans-Transfer of Assets". For more information about Transferred Program Loans see "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS".

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of August 31, 2014 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA (1)	Number of Program Loans	Outstanding Balance (3)	Percent of Total Number of Program Loans (3)	Percent of Outstanding Balance (4)
FHA Insured	4,860	$403,736,316	82.61%	85.41%
VA Guaranteed	173	14,436,497	2.94	3.05
Privately Insured	178	12,876,883	3.03	2.72
USDA/RD Guaranteed	416	25,230,575	7.07	5.34
Uninsured(2)	256	16,426,819	4.35	3.48
TOTAL	5,883	$472,707,090(4)	100.00%(4)	100.00%(4)

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.
(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.
(3) Rounded figures.
(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least 'AA' by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least 'AA' from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Program Loans allocated to Bonds under the Resolution upon the refunding of other THDA obligations, including certain of the Transferred Program Loans, are privately insured and are shown under the heading "Privately Insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least 'AA' by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least 'AA' by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of August 31, 2014 (unaudited), 178(1) privately insured Program Loans having an aggregate balance of approximately $12,876,883 were outstanding under the General Resolution. As of August 31, 2014 (unaudited), THDA had the following information regarding the private mortgage insurers for 117 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance (2)	Percent of Total Number of Program Loans(2)	Percent of Outstanding Balance (2)
Commonwealth/CMAC	4	$ 124,870	0.07%	0.03%
Genworth Mortgage Insurance Corp. (GE)	36	3,080,908	0.61	0.65
MGIC	34	3,078,340	0.58	0.65
PMI Mortgage Insurance Co.	1	16,960	0.02	0.00
Radian Guaranty Inc.	1	40,077	0.02	0.01
Republic Mortgage Insurance Corporation	28	2,038,704	0.48	0.43
Triad Guaranty Insurance Corporation	3	299,893	0.05	0.06
United Guaranty Residential Insurance Co.	10	789,179	0.17	0.17
TOTAL	117	$9,468,931(3)	1.99%(3)	2.00%(3)

(1) The private mortgage insurer is not identified with respect to 61 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) Rounded figures.

(3) Rounded total.

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Program Loan Interest Rates

The following table summarizes, as of August 31, 2014 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[1]	Outstanding Balance [2]	Percent of Total Number of Program Loans[2]	Percent of Outstanding Balance [2]
0.00-0.99	159	$ 8,323,940	2.70%	1.76%
1.00-1.99	0	0	0	0
2.00-2.99	0	0	0	0
3.00-3.99	835	92,689,523	14.19	19.61
4.00-4.49	1,748	205,207,219	29.71	43.41
4.50-4.99	557	46,377,829	9.47	9.81
5.00-5.49	312	27,118,153	5.30	5.74
5.50-5.99	922	38,283,143	15.67	8.10
6.00-6.49	220	18,259,711	3.74	3.86
6.50-6.99	489	18,697,955	8.31	3.96
7.00-7.49	280	8,430,278	4.76	1.78
7.50-7.99	246	6,482,009	4.18	1.37
8.00-8.49	91	2,662,699	1.55	0.56
8.50-8.99	0	0	0	0
9.00-9.49	5	108,855	0.09	0.02
9.50-12.00	19	65,775	0.32	0.01
TOTAL	5883	$472,707,090 [3]	100.00%[3]	100.00%[3]

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of August 31, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.04%, based on a total of 5,883 Program Loans as of August 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of August 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF AUGUST 31, 2014

Type of Mortgage	Program Loans Number	Program Loans Outstanding Balance (1)	Program Loans % of Total Number by Type of Program Loan	MBA(3) % by Loan Type
FHA Insured	99	$6,570,643	1.68%	1.42%(4)
VA Guaranteed	5	255,482	0.08	0.90
Privately Insured	3	124,771	0.05	0.56 (5)
USDA/RD Guaranteed	12	800,186	0.20	(6)
Uninsured	1	25,736	0.02	(6)
TOTAL	120	$7,776,818(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.59%, based on a total of 5,883 Program Loans as of August 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of August 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF AUGUST 31, 2014

Type of Mortgage	Program Loans Number	Program Loans Outstanding Balance (1)	Program Loans % of Total Number by Type of Program Loan	MBA(3) % by Loan Type
FHA Insured	186	$11,407,050	3.16%	3.80%(4)
VA Guaranteed	5	306,784	0.08	2.44
Privately Insured	5	197,288	0.08	1.10 (5)
USDA/RD Guaranteed	14	802,377	0.24	(6)
Uninsured	1	13,063	0.02	(6)
TOTAL	211	$12,726,562(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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The overall rate of Program Loans in foreclosure was 0.93%, based on a total of 5,883 Program Loans as of August 31, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of August 31, 2014 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2014, are as follows:

IN FORECLOSURE AS OF AUGUST 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	44	$2,788,077	0.75%	1.91%[4]
VA Guaranteed	3	193,904	0.05	1.19
Privately Insured	5	276,355	0.08	0.52 [5]
USDA/RD Guaranteed	3	140,737	0.05	[6]
Uninsured	0	0	0.00	[6]
TOTAL	55	$3,399,073.[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

As of August 31, 2014, the Transferred Program Loans have an approximate weighted average maturity of 253.82 months and a weighted average interest rate of 5.3% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS – Prepayment Experience of Transferred Program Loans" below. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of August 31, 2014; the Transferred Program Loans will not be allocable to the Offered Bonds until November 20, 2014, and Transferred Program Loan characteristics may change slightly from August 31, 2014, to November 20, 2014).

Transferred Program Loans by Loan Type

Type of Mortgage	**Number**	**Principal Amount [3]**	**% of Transferred Principal Amount**
FHA Insured	312	$25,610,639	73.16%
VA Guaranteed	11	1,156,299	3.30
Privately Insured[1]	21	1,501,706	4.29
USDA/RD Guaranteed	73	5,684,861	16.24
Uninsured[2]	14	1,054,050	3.01
TOTAL	431	$35,007,555 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.
(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.
(3) Rounded figures.
(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least 'AA' by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least 'AA' by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of August 31, 2014 (unaudited), 21 privately insured Transferred Program Loans having an aggregate principal balance of approximately $1,501,706 were outstanding.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to the Prior Bonds. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to the Prior Bonds for the 3 month, 6 month and 12 month periods ended on August 31, 2014, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Interest Rate
2005-1	243%	229%	197%	183%	5.30%

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.16%, based on a total of 431 Transferred Program Loans as of August 31, 2014 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of August 31, 2014, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF AUGUST 31, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	3	$222,583	0.70%	1.42%(4)
VA Guaranteed	0	0	0.00	0.90
Privately Insured	0	0	0.00	0.56 (5)
USDA/RD Guaranteed	2	138,905	0.46	(6)
Uninsured	0	0	0.00	(6)
TOTAL	5	$361,488 (2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 6.73%, based on a total of 431 Transferred Program Loans as of August 31, 2014 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of August 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF AUGUST 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	24	$1,929,093	5.57%	3.80%[4]
VA Guaranteed	2	265,892	0.46	2.44
Privately Insured	0	0	0.00	1.10 [5]
USDA/RD Guaranteed	3	260,663	0.70	[6]
Uninsured	0	0	0.00	[6]
TOTAL	29	$2,455,648[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 1.16%, based on a total of 431 Transferred Program Loans as of August 31, 2014 (unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of August 31, 2014 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2014, are shown in the following table:

IN FORECLOSURE AS OF AUGUST 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	4	$383,444	0.93%	1.91%[4]
VA Guaranteed	0	0	0.00	1.19
Privately Insured	0	0	0.00	0.52 [5]
USDA/RD Guaranteed	1	53,036	0.23	[6]
Uninsured	0	0	0.00	[6]
TOTAL	5	$436,480 [2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

FINANCIAL SUMMARY OF RESIDENTIAL FINANCE PROGRAM

Consolidated Revenues and Net Position

The following table summarizes consolidated revenues and net position for Residential Finance Program Bonds for the year ended June 30, 2013, and for the nine months ended March 31, 2014. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the year ended June 30, 2013, and for the nine months ended March 31, 2014 (unaudited).

Residential Finance Bond Group	**Nine Months Ended March 31 (Unaudited) 2014**	**Year Ended June 30 (Audited) 2013**
REVENUES:		
Interest on Mortgages	$ 9,138	$ 222
Investment Income:		
Interest	234	10
Net Increase (decrease) in the Fair Value of Investments	(70)	(83)
Fees and Other Income	-	76
	9,302	225
EXPENSES:		
Interest	6,180	551
Issuance Cost	990	1,679
Mortgage Servicing Fees	658	18
Down Payment Assistance Grants		-
Other	167	1
	7,995	2,249
Excess of Revenues over Expenses	1,307	(2,024)
Net Position at beginning of period	(68,279)	-
Other Transfers	113,384	(66,255)
Net Position at end of period	$ 46,412	$ (68,279)[1]

[1] On May 30, 2013 THDA issued its Issue 2013-1 Bonds under the General Resolution. Proceeds of the Issue 2013-1 Bonds in an aggregate principal amount of $75,905,000 were applied to the refunding of THDA's Issue 2003-A Bonds under the 1974 General Resolution and THDA's Issue 2004-1 Bonds under the 1985 General Resolution. While the Issue 2013-1 Bonds were issued on May 30, 2013, the assets allocable to the Issue 2003-A and the Issue 2004-1 Bonds in an aggregate amount of approximately $99,855,200 did not transfer to the General Resolution until July 1, 2013, the date of the redemption of such bonds. As a result of such transfer, the net position of the General Resolution as of July 1, 2013, was approximately $31,576,000 (unaudited).

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Investments

THDA's non-mortgage investments of funds held under the General Resolution consist of Investment Securities as authorized in the Resolution. THDA solicits bids in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of August 31, 2014 (unaudited), the General Resolution investment portfolio (including investments from the 1974 General Resolution transferred to the General Resolution, as described under the heading "RESIDENTIAL FINANCE PROGRAM LOANS-Description of Residential Finance Programs Loans-Transfer of Assets") was placed as follows:

Types of Investments	Short Term[(1)] Amount	Long Term[(2)] Amount
Federal Farm Credit Bank Notes	$ 0	$ 174,699
Federal Home Loan Bank Notes	3,149,928	9,929,089
Federal Home Loan Mortgage Corporation Notes	0	4,099,473
Fannie Mae Notes	220,607	258,460
TOTAL	$ 3,370,535	$ 14,461,721

As of August 31, 2014 (unaudited), amounts in the Bond Reserve Fund, a portion of the General Resolution investment portfolio described above, were invested as follows:

Types of Investments	Short Term[(1)] Amount	Long Term[(2)] Amount
Federal Home Loan Bank Notes	$ 0	$ 9,246,306
Federal Home Loan Mortgage Corporation Notes	0	1,145,358
Fannie Mae Notes	0	258,460
TOTAL	$ 0	$ 10,650,124

(1) Short term investments include cash equivalents and investments that mature in one year or less.

(2) Long term investments include investments that mature in more than one year regardless of call features.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

In accordance with Tennessee law, state entities, including THDA, are subject to periodic review by the General Assembly to evaluate the necessity for their continued existence. During the current legislative session, legislation passed the Tennessee General Assembly and was signed by the Governor to extend THDA's existence to June 30, 2018. If THDA's existence is terminated, the State is obligated to preserve the rights of the holders of any outstanding THDA bonds or other indebtedness and the obligations and rights of THDA accrue to the State.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of August 31, 2014 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $1,871,955,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that six board members be appointed by the Governor from among the following groups: retail building material supply, manufactured housing, home building, mortgage banking, licensed real estate brokers, local public housing authority, local government and qualifying non-profits. In addition, the Act also provides for a board member to be appointed by the Speaker of the State Senate, a board member be appointed by the Speaker of the State House of Representatives, two at-large board members appointed by the Governor who are knowledgeable about the problems of inadequate housing conditions in Tennessee and any board members as may be required by applicable federal law or regulation. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors(1) are shown below:

Name	**Term Expires**	**Principal Occupation**
Phil M. Baggett	June 30, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
John L. Baker	June 30, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	June 30, 2017	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Philip C. Chamberlain, II	June 30, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Dorothy L. Cleaves	June 30, 2016	First Vice President, Paragon National Bank Memphis
Kendra Cooke	June 30, 2017	Broker, Cooke Realty Partners/Bob Parks Realty Brentwood, TN
Tre Hargett(2)	January, 2017	Secretary of State
Ronald K. Jones	June 30, 2016	Executive Director, Trevecca Towers Nashville
David H. Lillard, Jr.(2)	January, 2015	State Treasurer
Larry Martin(2)	(3)	Commissioner, Department of Finance and Administration
Ashleigh Harb Roberts(2)	(3)	Deputy Counsel to the Governor
Benjie Shuler	June 30, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	June 30, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson(2)	January, 2015	Comptroller of the Treasury
Mary Chatman	(4)	Springfield, TN

(1) One Board of Directors position appointed by the Governor is vacant.

(2) Ex officio member.

(3) Serves at pleasure of Governor.

(4) This is the resident board member required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. The term of this board member is subject to requirements related to continuing participation in the Section 8 Voucher Program and is no longer than four years. This board member is authorized to take part in or vote only on matters related to the administration, operation and management of THDA's Section 8 tenant-based rental assistance programs.

Executive Staff Members

THDA employs a staff of approximately 217 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Lindsay Hall – Senior Director of Single Family Programs since 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Gathelyn (Gay) Oliver, C.P.A. - Director of Internal Audit since 2013. Formerly, Tennessee Department of Human Services (2010-2013); Randa Solutions (2009-2010); Beacon Technologies (2007-2009); BellSouth (1999-2007); Tennessee Department of Revenue (1988-1997, 1998-1999), Tennessee Department of Environment and Conservation(1997-1998). B.B.A., Middle Tennessee State University, M.B.A., Vanderbilt University Owen Graduate School of Management.

Trent Ridley – Chief Financial Officer since 2006. THDA employee since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

THDA's principal office is located at 502 Deaderick Street, 3rd Floor, Nashville, Tennessee 37243-0200, and its telephone number is (615) 815-2200. THDA has regional offices in four (4) locations elsewhere in the State for the purpose of administering the Housing Choice Voucher rental assistance program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Residential Finance Program and all of the other general bond resolutions and mortgage loan programs of THDA.

The Housing Program Fund is the vehicle used by THDA to fund non-mortgage programs not otherwise funded through federal programs. Essentially, all revenues of THDA derived from sources other than the Residential Finance Program or other bond resolutions are deposited into the Housing Program Fund. Amounts in the Housing Program Fund currently include investment income from the Housing Program Fund, federal funds received by THDA for the administration of federal programs, and fees charged by THDA in connection with its non-mortgage programs. Amounts in the Housing Program Fund are not pledged as security for the Offered Bonds.

The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings, but which presently has a balance of $0. Amounts in the Assets Fund, if any, are not pledged as security for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program no longer administered by THDA. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are appropriated to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002.

Notwithstanding the foregoing, if projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Payment of THDA Operating Expenses, Including Program Expenses

THDA currently receives no funds from the State of Tennessee for operating and administrative expenses. THDA currently pays all operating and administrative expenses, including Program Expenses of the Residential Finance Program, with funds available therefor from the other THDA bond resolutions and from the Housing Program Fund. THDA currently pays only certain expenses, such as Costs of Issuance, Underwriter's fees, Trustee's fees, and other similar costs from bond proceeds. THDA currently expects to continue to pay Program Expenses (other than Costs of Issuance, Underwriter's fees, Trustee's fees, and other similar costs) and all other THDA operating and administrative costs and expenses from the General Resolution, the other THDA bond resolutions, and from other resources available to THDA. No assurance can be provided that THDA will not withdraw funds from the Resolution in the future to pay such expenses. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses. Regardless of THDA's best efforts and in the event of additional transfers to the State, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees), higher education employees, teachers, and employees of certain local governments. There are 59,780 active members in TCRS in the state and higher education employee group at June 30, 2014. This total includes 242 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees hired prior to July 1, 2014, in the state and higher education group, including THDA employees, are noncontributory. New employees hired after June 30, 2014, will contribute 5% of salary.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The next actuarial valuation is scheduled for July 1, 2015.

Actuarial Valuation

At July 1, 2013, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.466 billion, resulting in a funded ratio of 89.40%. The unfunded actuarial liability would have been $1.955 billion if based on the market value of assets with the funded ratio being 85.56%. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2012, and ending June 30, 2014, is 15.03% based on the actuarial valuation performed as of July 1, 2011. The employer contribution rate for the period July 1, 2014, to June 30, 2015, will be 15.03% for employees hired before July 1, 2014, while the employer rate will be 4% for employees first hired after June 30, 2014.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2015	15.03%	$13,016,900*	$1,956,440*	1.39%*
2014	15.03	11,721,300	1,761,711	1.19
2013	15.03	11,315,872	1,692,847	1.26
2012	14.91	11,005,204	1,632,095	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2014, the salary of THDA employees totaled $11,721,300, which represents 0.48% of the $2.47 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred investment losses that have been actuarially smoothed are recognized over the next ten years.

New Pension Plan for Employees Hired after June 30, 2014

As authorized by Public Chapter 259, Acts of 2013, employees first hired after June 30, 2014, will participate in a hybrid pension plan consisting of a defined benefit plan and a defined contribution plan. Employees will contribute at 5% of salary to the defined benefit plan. Employees will contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans will be limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan.

The benefit accrual formula under the hybrid plan will be 1% versus 1.575% in the legacy plan. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90) while the legacy plan is age 60 or 30 years of service. Vesting is 5 years for both the hybrid and the legacy plan. There is a stabilization reserve created for any employer contributions that exceed the actuarial required employer rate that will be utilized to control cost and unfunded liabilities.

The defined benefit component of the hybrid plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the new hybrid plan and do not apply to the legacy pension plan.

Governmental Accounting Statements 67 and 68

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 67 relative to financial reporting for pension plans and Statement No. 68 relative to accounting and financial reporting for pensions for governmental entities. The statements essentially separate pension accounting from pension funding, which have historically been linked together. Statement No. 68 provides a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, Statement No. 68 provides a methodology for measuring the pension liability to be presented in the employer's financial statement. Regardless, financial statement presentation will not affect the pension funding methodologies described herein. For TCRS, the effective date of Statement No. 67 will be the fiscal year ended June 30, 2014 and the effective date of Statement No. 68 for the State will be the fiscal year ended June 30, 2015.

Deferred Compensation Plan

The state offers its employees two voluntary deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The Section 401(k) and Section 457 plan assets remain the property of the contributing employees. IRC Sections 401(k) and 457 establish participation, contribution and withdrawal provisions for the plans. During the fiscal year ended June 30, 2013, total contributions totaling $146.3 million were made to the plans. Subject to appropriation in the annual state budget, employer matching contributions up to $50 per month may be made. For the fiscal years 2013 and 2014, the budget included appropriation for the $50 match. Employees will vest immediately to both the employee and employer contributions.

Under the new hybrid plan provisions for state and higher education employees, employees hired on or after July 1, 2014, will contribute 2% of salary to the state's 401(k) plan with the employer contributing an additional 5% to the plan. Employees may opt out of the 2% employee contribution. Additionally, employees would be eligible for employer matching contributions up to $50 per month subject to annual appropriation in the state budget. The hybrid plan employees will vest immediately to both the employee and employer contributions.

Other Post-Employment Benefits

Certain other GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2013, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of THDA is approximately $2,964,000 and the annual required contribution for THDA is approximately $345,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2016. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2014-2A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2014-2B Bonds and the Issue 2014-2C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2014-2B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2014-2C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds.

It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a “Premium Bond”) over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) has assigned the Offered Bonds a rating of ‘Aa1’ and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (“S&P”) has assigned the Offered Bonds a rating of ‘AA+’. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody’s and Standard & Poor’s. THDA has furnished to Moody’s and Standard & Poor’s certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

Due to the ongoing uncertainly regarding the economy of the United States of America (including, without limitation, matters such as the current and future political uncertainty regarding the United States debt limit), obligations, such as the Offered Bonds, issued by state and local governments, and instrumentalities thereof, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 2009 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2014-2 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2014-2 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in "FINANCIAL STATEMENTS" below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under "RESIDENTIAL FINANCE PROGRAM BONDS," and "RESIDENTIAL FINANCE PROGRAM LOANS" including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, acquisition costs and income limits, (ii) contained in Appendix E hereto and (iii) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on the Bond Reserve Fund reflecting financial difficulties; (iv) unscheduled draws on any credit enhancement reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2014-2 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2014-2 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2014-2 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2014-2 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the year ended June 30, 2013, and June 30, 2012, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the nine months ended March 31, 2014, and March 31, 2013. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

UNDERWRITING

RBC Capital Markets, LLC, Raymond James & Associates, Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Wells Fargo Bank, National Association, and J.J.B. Hilliard, W.L. Lyons, LLC (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at the prices indicated on the inside cover of this Official Statement. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $946,659.42. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup, an underwriter of the Offered Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Offered Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Offered Bonds, has entered into a negotiated dealer agreement ("Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase the Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that CS&Co. sells.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500 JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7897
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying statements of net position of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of June 30, 2013, and June 30, 2012, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2013, and June 30, 2012, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information, following the schedule of funding progress, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 1, 2013, on our consideration of the Tennessee Housing Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency's internal control over financial reporting.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
October 1, 2013

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2013 and June 30, 2012. This information is being presented to provide additional information regarding the activities of THDA and to meet the reporting and disclosure requirements of the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2013, THDA has originated over 110,000 single-family mortgage loans in its 40-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 74 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, as well as notes to the financial statements. The statements of net position provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses and changes in net position summarize the results of operations over the course of each fiscal

year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year. The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events. THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at www.tn.gov/finance/act/cafr.shtml.

During fiscal year 2013, THDA implemented several accounting standards including GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* Among the requirements of these pronouncements, GASB Statement 63 required the reclassification of Net Assets to Net Position, as well as the reclassification of certain deferred amounts to new categories called Deferred Outflows of Resources and Deferred Inflows of Resources. As applicable to THDA, deferred amounts from bond refundings, which were previously reported as a component of bonds payable (noncurrent), are now reported as Deferred Outflows of Resources. In addition, bond issuance costs, which previously was reported as an asset (deferred charges) and amortized over the life of the bonds, is now recognized as expense in the period when incurred. GASB statement 65 required retroactive implementation and reporting for all financial periods presented; therefore, beginning net position for fiscal year 2012 was restated to reflect the retroactive application of GASB statement 65.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2013

- Total assets increased by $102.4 million, or 3.9%.
- Deferred outflows of resources decreased $0.2 million, or 6.5%.
- Total liabilities increased by $119.3 million, or 5.7%.
- Net position was $526.5 million. This is a decrease of $17.0 million, or 3.1% from fiscal year 2012.
- Cash and cash equivalents increased by $150.7 million, or 59.4%.
- Total investments increased by $56.9 million, or 25.0%.
- Bonds payable increased by $116.5 million, or 5.8%.

- THDA originated $212.2 million in new loans, which is a decrease of $23.6 million, or 10.0%, from the prior year.

Year Ended June 30, 2012

- Total assets decreased by $97.7 million, or 3.6%.
- Deferred outflows of resources decreased $0.9 million, or 26.9%.
- Total liabilities decreased by $136.8 million, or 6.2%.
- Net position was $543.5 million. This is an increase of $38.3 million, or 7.5%, from fiscal year 2011.
- Cash and cash equivalents decreased $57.0 million, or 18.3%.
- Total investments decreased $8.5 million, or 3.6%.
- Bonds and notes payable decreased $123.4 million, or 5.8%.
- THDA originated $235.7 million in new loans, which is an increase of $4.6 million, or 2.0%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position. The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2013	2012	2011
Current assets	$ 495,605	$ 314,268	$ 304,429
Capital assets	194	113	157
Other noncurrent assets	2,231,487	2,310,506	2,418,006
Total assets	2,727,286	2,624,887	2,722,592
Deferred outflows of resources	2,287	2,445	3,346
Current liabilities	303,224	207,708	150,534
Noncurrent liabilities	1,899,882	1,876,123	2,070,179
Total liabilities	2,203,106	2,083,831	2,220,713
Invested in capital assets	194	114	157
Restricted net position	489,105	503,563	502,856
Unrestricted net position	37,168	39,824	2,212
Total net position	$ 526,467	$ 543,501	$ 505,225

2013 to 2012

- THDA's total net position decreased by $17.0 million, or 3.1%, from $543.5 million at June 30, 2012 to $526.5 million at June 30, 2013. While various factors accounted for this change, the most significant factors include a decrease in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, and an increase in bonds payable.

- Mortgage loans receivable decreased by $109.3 million, or 5.2% from $2,096.6 million on June 30, 2012 to $1,987.3 million on June 30, 2013. During FY 2013, single-family mortgage loan originations decreased by $23.6 million, or 10.0% from $235.7 million at June 30, 2012 to $212.2 million at June 30, 2013. Conversely, mortgage loan prepayments and repayments increased by $58.3 million, or 28.0% from $209.0 million at June 30, 2012 to $267.3 million on June 30, 2013.

- Total liabilities increased $119.3 million, or 5.7% from $2,083.8 million at June 30, 2012 to $2,203.1 million on June 30, 2013. The increase is primarily due to an increase in the amount of bonds issued during fiscal year 2013 as compared to fiscal year 2012, as well as a small decrease in the redemption of bonds as compared to fiscal year 2012.

2012 to 2011

- THDA's total net position increased $38.3 million, or 7.6%, from $505.2 million at June 30, 2011 to $543.5 million at June 30, 2012. The net position of $505.2 million at June 30, 2011 was reduced by $14.7 million from the amount previously reported, due to the effect of implementing GASB 65. The primary factor that contributed to this increase was the receipt of $34.5 million of funds from the multi-state national mortgage settlement with the nation's leading mortgage servicers. In addition, THDA's total net position as of July 1, 2011 was revised downward by $14.7 million due to the implementation of GASB Statement 65.

- Mortgage loans receivable decreased $22.8 million, or 1.1%, from $2,119.4 million at June 30, 2011 to $2,096.6 million at June 30, 2012. During FY 2012, single-family mortgage loan originations increased $4.6 million or 2.0% from $231.1 million in FY 2011 to $235.7 million in FY 2012. Conversely, mortgage loan prepayments and repayments increased $28.8 million, or 16.0%, from $180.2 million in FY 2011 to $209.0 million in FY 2012.

- Total liabilities decreased $136.9 million, or 6.2%, from $2,220.7 million at June 30, 2011 to $2,083.8 million at June 30, 2012. As noted above, the implementation of GASB 65 was applied retroactively, therefore requiring a minor revision to the amount of liabilities as previously reported. While there were several factors that led to this decrease, notable year-to-year changes include a decrease of warrants / wires payable from $10.9 million at June 30, 2011 to $0 at June 30, 2012, and a decrease in the total amount of bonds and notes outstanding from $2,143.7 million at June 30, 2011 to $2,015.1 million at June 30, 2012.

Changes in Net Position. The following table summarizes the changes in revenues, expenses and changes in net position between fiscal years (expressed in thousands):

	2013	2012	2011
Operating revenues			
Mortgage interest income	$ 109,158	$ 116,015	$ 119,406
Investment income	(4,346)	11,992	6,156
Other	17,865	17,693	17,041
Total operating revenues	122,677	145,700	142,603
Operating expenses			
Interest expense	78,643	86,020	84,137
Other	41,982	41,298	40,082
Total operating expenses	120,625	127,318	124,219
Operating income	2,052	18,382	18,384
Nonoperating revenues (expenses)			
Grant revenues	237,638	260,371	355,754
Payment from primary government	-	34,500	-
Grant expenses	(256,724)	(274,977)	(369,957)
Total nonoperating revenues (expenses)	(19,086)	19,894	(14,203)
Change in net position	$ (17,034)	$ 38,276	$ 4,181

2013 to 2012

Total operating revenues decreased $23.0 million, or 15.8% from $145.7 million for the year ended June 30, 2012 to $122.7 million for the year ended June 30, 2013. The primary reasons for this decrease are as follows:

- Investment income decreased $16.3 million, or 136.2% from $12.0 million in 2012 to a net loss of $4.3 million in 2013. While interest income from investments decreased marginally, THDA experienced a net decrease in the fair value of investments of $15.2 million in fiscal year 2013, as compared to a net increase in the fair value of investments of $0.3 million in fiscal year 2012.

- Mortgage interest income decreased $6.9 million, or 5.9%, from $116.0 million in 2012 to $109.1 million in 2013. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in fiscal year 2012 to $120.6 million in fiscal year 2013. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

2012 to 2011
Total operating revenues increased $3.1 million from $142.6 million for the year ended June 30, 2011 to $145.7 million for the year ended June 30, 2012. The primary reasons for this increase are as follows:

- Mortgage interest revenue decreased $3.4 million, or $2.8%, from $119.4 million in FY 2011 to $116.0 million in FY 2012. This decrease is due to prepayments of older mortgage loans with higher interest rates, as compared to new loans being originated at historically low interest rates.

- Investment income increased $5.8 million, or 94.8%, from $6.2 million in 2011 to $12.0 million in 2012. While the increase in investment interest income was insignificant, the net increase (decrease) in the fair value of investments improved $5.2 million, or 106.5%, from a net decrease of $4.9 million in FY 2011 to a net increase of $0.3 million in FY 2012.

For the year ended June 30, 2012, total operating expenses increased $3.1 million, or 2.5%, from $124.2 million in 2011 to $127.3 million in 2012. The increase is not significant.

DEBT ACTIVITY

Bonds and notes outstanding at June 30 were as follows (expressed in thousands):

	2013	2012	2011
Bonds payable	$ 2,136,806	$ 2,020,302	$ 2,140,486
Notes payable	-	-	3,250
Total bonds and notes payable	$ 2,136,806	$ 2,020,302	$ 2,143,736

Year Ended June 30, 2013
Total bonds and notes payable increased $116.5 million, or 5.8% due primarily to an increase in the amount of bonds issued as well as a decrease in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $456.7 million, with activity arising from three bond issues. With interest rates remaining at historically low

levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $66.5 million of outstanding bonds into new bond originations with lower interest rates.

Year Ended June 30, 2012

Total bonds and notes payable decreased $123.4 million, or 5.8%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $153.7 million, with activity arising from three bond issues. With investment interest rates at historically low levels, THDA has sought out opportunities to call bonds with proceeds from mortgage repayments and prepayments as practical. In addition to nominal advanced bond redemptions from mortgage loan prepayments, THDA refunded $135.1 million of bonds into bonds with lower interest rates.

New Issue Bond Program (NIBP)

The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP.

Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted below:

Date	Amount	New Bond Issue
June 17, 2010	$ 56,860,000	Bond Issue 2010-A1
	17,850,000	Bond Issue 2010-A2
	85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	40,000,000	Bond Issue 2010-B
	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	40,000,000	Bond Issue 2011-A
	60,000,000	Bond Issue 2009-B, Subseries B-3
August 25, 2011	40,000,000	Bond Issue 2011-B
	60,000,000	Bond Issue 2009-B, Subseries B-4
November 03, 2011	65,290,000	Bond Issue 2011-C
	34,710,000	Bond Issue 2009-B, Subseries B-5

As of June 30, 2012, all of the bonds issued under issue 2009-B1 had been released, re-designated, and converted into fixed-rate, tax-exempt bonds.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2 and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

There were no revisions to THDA's bond ratings during FY 2013 or FY 2012.

Debt Limits
In accordance with *Tennessee Code Annotated,* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's Board of Directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2013	FY 2012	FY 2011	FY 2010 and Prior	Total
Funding Sources:					
THDA	$ 6,500,000	$ 6,500,000	$ 6,000,000	$ 24,000,000	$ 43,000,000
State Appropriation	-	-	-	4,350,000	4,350,000
Totals	**$ 6,500,000**	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 47,350,000**
Approved Uses:					
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 700,000	$ 2,800,000	$ 4,900,000
Ramp Program (UCP)	-	-	-	50,000	50,000
Ramp Program	-	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	150,000	150,000	600,000
Homebuyer Education Initiative	-	-	-	300,000	300,000
Emergency Repairs for Elderly	-	2,000,000	2,000,000	8,000,000	12,000,000
Competitive Grants	4,426,409	3,150,000	3,150,000	16,650,000	27,376,409
Pilot Program Manufactured Hsg	500,000	500,000	-	-	1,000,000
Pending Allocations	723,591	-	-	-	723,591
Totals	**$ 6,500,000**	**$ 6,500,000**	**$ 6,000,000**	**$ 28,350,000**	**$ 47,350,000**

In addition to the above funding, local grants could produce an additional $4 million or more funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

THDA offers three primary choices for single-family mortgages. The *Great Rate* mortgage product offers an attractive interest rate loan secured by a first mortgage. The *Great Start* program offers a loan with an interest rate that is, as of June 30, 2013, 60 basis points higher than the Great Rate product, but provides 4% of the loan amount as down payment and closing cost assistance. In addition, THDA introduced the *Great Advantage* product during fiscal year 2006, which offers a loan with an interest rate that is, as of June 30, 2013, 30 basis

points higher than the Great Rate product, and 2% of the loan amount as down payment and closing cost assistance.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans.

Single-family mortgage loans purchased by THDA with Loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development)
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee; and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value.

Loans with a 78% LTV or lower do not require mortgage insurance.

A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/index.aspx?NID=282.

More recently, media attention has focused on mortgage loan delinquencies and foreclosures. For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Rate, Great Start, and Great Advantage), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2013, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,265	554	40,491,422	2.19%
90+ Days Past Due	25,265	1,181	89,505,286	4.67%
In Foreclosure	25,265	550	45,013,301	2.18%

As of June 30, 2012, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	26,430	561	42,078,643	2.12%
90+ Days Past Due	26,430	1,247	93,521,824	4.72%
In Foreclosure	26,430	166	12,663,174	0.63%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 382,434	$ 219,397
Investments (Note 2)	15,310	578
Receivables:		
Accounts	18,155	18,989
Interest	13,435	12,611
First mortgage loans	51,350	51,702
Due from federal government	14,921	10,991
Total current assets	495,605	314,268
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	21,897	34,218
Investments (Note 2)	200,346	186,562
Investment interest receivable	1,753	1,683
Investments (Note 2)	68,533	40,130
First mortgage loans receivable	1,935,924	2,044,906
Advance to local government	3,034	3,007
Capital assets:		
Furniture and equipment	697	556
Less accumulated depreciation	(503)	(443)
Total noncurrent assets	2,231,681	2,310,619
Total assets	2,727,286	2,624,887
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	2,287	2,445
Total deferred outflows of resources	2,287	2,445
LIABILITIES		
Current liabilities:		
Accounts payable	1,642	1,451
Accrued payroll and related liabilities	535	515
Compensated absences	600	555
Due to primary government	71	71
Interest payable	40,279	43,626
Escrow deposits	172	433
Prepayments on mortgage loans	986	1,414
Due to federal government	17,619	10,408
Bonds payable (Note 4)	241,320	149,235
Total current liabilities	303,224	207,708
Noncurrent liabilities:		
Bonds payable (Note 4)	1,895,486	1,871,067
Compensated absences	630	601
Net OPEB obligation (Note 9)	1,303	1,157
Escrow deposits	2,463	3,298
Total noncurrent liabilities	1,899,882	1,876,123
Total liabilities	2,203,106	2,083,831
NET POSITION		
Net investment in capital assets	194	114
Restricted for single family bond programs (Note 5 and Note 7)	472,570	494,270
Restricted for grant programs (Note 5)	13,382	6,140
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,153
Unrestricted (Note 7)	37,168	39,824
Total net position	$ 526,467	$ 543,501

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
OPERATING REVENUES		
Mortgage interest income	$ 109,158	$ 116,015
Investment income:		
Interest	10,881	11,672
Net increase (decrease) in the fair value of investments	(15,227)	320
Federal grant administration fees	15,586	14,475
Fees and other income	2,279	3,218
Total operating revenues	122,677	145,700
OPERATING EXPENSES		
Salaries and benefits	16,083	15,671
Contractual services	3,930	3,208
Materials and supplies	493	184
Rentals and insurance	115	100
Other administrative expenses	445	482
Other program expenses	9,926	11,727
Interest expense	78,643	86,020
Mortgage service fees	7,291	7,539
Issuance costs	3,639	2,243
Depreciation	60	144
Total operating expenses	120,625	127,318
Operating income	2,052	18,382
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	237,638	260,371
Payment from primary government (Note 12)	-	34,500
Federal grants expenses	(237,352)	(260,587)
Local grants expenses	(19,372)	(14,390)
Total nonoperating revenues (expenses)	(19,086)	19,894
Change in net position	(17,034)	38,276
Total net position, July 1	543,501	519,956
Cumulative effect of a change in accounting principle (Note 3)	-	(14,731)
Total net position, July 1, as restated	543,501	505,225
Total net position, June 30	$ 526,467	$ 543,501

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
Cash flows from operating activities:		
Receipts from customers	$ 429,234	$ 378,193
Receipts from federal government	15,344	15,243
Other miscellaneous receipts	2,279	3,218
Acquisition of mortgage loans	(212,166)	(235,740)
Payments to service mortgages	(7,291)	(7,539)
Payments to suppliers	(14,366)	(15,527)
Payments to federal government	-	(1,216)
Payments to employees	(16,123)	(15,644)
Net cash provided by operating activities	196,911	120,988
Cash flows from non-capital financing activities:		
Operating grants received	241,162	308,398
Negative cash balance implicitly financed (repaid)	-	(10,913)
Proceeds from sale of bonds	456,741	248,382
Operating grants paid	(256,797)	(278,480)
Cost of issuance paid	(3,639)	(2,243)
Principal payments	(336,030)	(372,940)
Interest paid	(86,039)	(91,195)
Net cash provided (used) by non-capital financing activities	15,398	(198,991)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(141)	(100)
Net cash used by capital and related financing activities	(141)	(100)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	287,825	409,752
Purchases of investments	(359,985)	(400,926)
Investment interest received	10,694	12,311
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	14	8
Net cash provided (used) by investing activities	(61,452)	21,145
Net increase (decrease) in cash and cash equivalents	150,716	(56,958)
Cash and cash equivalents, July 1	253,615	310,573
Cash and cash equivalents, June 30	$ 404,331	$ 253,615

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012
(Expressed in Thousands)

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 2,052	$ 18,382
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	60	144
Changes in assets and liabilities:		
Decrease in accounts receivable	834	4,758
(increase) decrease in mortgage interest receivable	(709)	183
Decrease in first mortgage loans receivable	109,306	22,790
(Increase) decrease in due from federal government	(242)	768
(Decrease) in accounts payable	(1,258)	(1,460)
Increase in accrued payroll / compensated absences	240	368
(Decrease) in arbitrage rebate liability	-	(1,216)
Investment income included as operating revenue	4,346	(11,992)
Interest expense included as operating expense	78,643	86,020
Issuance cost included as operating expense	3,639	2,243
Total adjustments	194,859	102,606
Net cash provided by operating activities	$ 196,911	$ 120,988
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	$ (14,037)	$ 12,603
Total noncash investing, capital, and financing activities	$ (14,037)	$ 12,603

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 *et seq.* The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession, local governments, or one of the three grand divisions of the state, and be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body, and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, and Housing Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the agency’s policy to use the restricted resources first. All significant interfund transactions have been eliminated.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds.

The bond resolutions require the agency to establish a Debt Service Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund to cover any deficiency.

f. Deferred Amount on Refundings and Bond Premiums and Discounts

1. Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

2. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits, petty cash, and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S., public housing bonds secured by contracts with the U.S., direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody’s Investor Service or Standard & Poor's Corporation, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less collected principal.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2013, the bank balance was $18,982,252. At June 30, 2012, the bank balance was $12,042,605. All bank balances at June 30, 2013 and June 30, 2012 were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury required the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2013, $18,490,778 was in the BNYM. Of this amount, $18,240,778 exceeded the FDIC insurance coverage. Of the bank balance at June 30, 2012, $11,588,423 was in the BNYM. Of this amount, $11,338,423 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State

Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.treasury.tn.gov.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest one hundred percent (100%) of its portfolio in U.S. government securities. A minimum of five percent (5%) of the par value of total investments must mature within five years. No more than fifty percent (50%) of the par value of the combined portfolios can be invested in maturities greater than fifteen (15) years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2013		**June 30, 2012**	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$183,618,170	2.660	$135,888,316	2.153
U.S. Treasury Coupon	85,574,572	3.899	91,381,418	4.673
U.S. Agency Discount	151,647,000	0.051	0	N/A
Total	$420,839,742	1.972	$227,269,734	1.851

The portfolios include the following investments, stated at par or face value, which have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net position.

Variable Rate Bonds

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on January 30, 2012. Although these securities were scheduled to mature on January 30, 2017, these bonds were called January 30, 2013. The fair value of these securities on June 30, 2012 was $3,007,326, which is included in U.S. Agency Coupon in the table above.

The agency purchased $4,280,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.93 of par on February 24, 2012. Although these securities were scheduled to mature on December 28, 2026, these bonds were called December 28, 2012. The fair value of these securities on June 30, 2012 was $4,297,377, which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,140,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.875 of par on April 30, 2012. Although these securities were scheduled to mature on October 30, 2019, these bonds were called July 30, 2012. The fair value of these securities on June 30, 2012 was $2,135,998, which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at par on May 24, 2012. Although these securities were scheduled to mature on November 24, 2017, these bonds were called on November 24, 2012. The fair value of these securities on June 30, 2012 was $1,000,179, which is included in U.S. Agency Coupon in the table above.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 14, 2012. Although these

securities were scheduled to mature on June 14, 2027, these bonds were called December 14, 2012. The fair value of these securities on June 30, 2012 was $5,001,205, which is included in U.S. Agency Coupon in the table above.

The agency purchased $6,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on June 28, 2012. Although these securities were scheduled to mature on June 28, 2027, these bonds were called December 28, 2012. The fair value of these securities on June 30, 2012 was $5,995,374, which is included in U.S. Agency Coupon in the table above.

The agency purchased $2,350,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.75 of par on June 11, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2013 is $2,186,370, and on June 30, 2012 was $2,335,775, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020, to 4.0% on June 11, 2022, to 6.0% on June 11, 2023, to 7.0% on June 11, 2024, to 8.0% on December 11, 2024, to 10.0% on June 11, 2025, to 12.0% on December 11, 2025, to 14.0% on June 11, 2026, and to 16.0% on December 11, 2026.

The agency purchased $3,210,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on June 28, 2012 and mature on June 27, 2027. The fair value of these securities on June 30, 2013 is $2,990,898, and on June 30, 2012 was $3,190,002, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 28, 2015, to 3.0% on June 28, 2018, to 4.0% on June 28, 2021, to 5.0% on June 28, 2023, and to 6.5% on June 28, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.12 of par on November 15, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2013, is $2,791,110 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020, to 4.0% on June 11, 2022, to 6.0% on June 11, 2023, to 7.0% on June 11, 2024, to 8.0% on December 11, 2024, to 10.0% on June 11, 2025, to 12.0% on December 11, 2025, to 14.0% on June 11, 2026, and to 16.0% on December 11, 2026.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.80 of par on November 8, 2012 and mature on November 8, 2027. The fair value of these securities on June 30, 2013, is $3,678,796 which is included in U.S. Agency Coupon in the table above. This investment has a

stated coupon rate of 2.0% with a step-up option to 3.0% on November 8, 2017, and to 4.0% on November 8, 2022. This investment is callable quarterly beginning February 8, 2013, and ending November 8, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.45 of par on November 23, 2012 and mature on November 23, 2027. The fair value of these securities on June 30, 2013, is $2,746,311 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.125% on November 23, 2017, to 2.25% on November 23, 2020, to 2.5% on November 23, 2023, to 3.0% on November 23, 2024, to 4.0% on May 23, 2025, to 6.0% on November 23, 2025, to 8.0% on May 23, 2026, to 11.0% on November 23, 2026, and to 14% on May 23, 2027. This investment is callable quarterly beginning May 23, 2013, and ending November 23, 2015.

The agency purchased $2,400,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.65 of par on December 21, 2012 and mature on December 21, 2027. The fair value of these securities on June 30, 2013, is $2,231,131 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on December 21, 2017, to 2.5% on December 21, 2020, to 3.0% on December 21, 2022, to 4.0% on December 21, 2023, to 5.0% on December 21, 2024, to 6.0% on December 21, 2025, to 8.0% on June 21, 2026, to 10.0% on December 21, 2026, and to 12.0% on June 21, 2027. This investment is callable quarterly beginning June 21, 2013, and ending December 21, 2018.

The agency purchased $2,750,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.90 of par on January 30, 2013 and mature on January 30, 2025. The fair value of these securities on June 30, 2013, is $2,612,555 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on January 30, 2018, to 2.5% on January 30, 2021, to 3.0% on January 30, 2022, to 5.0% on January 30, 2023, to 7.0% on July 30, 2023, and to 9.0% on January 30, 2024. This investment is callable quarterly beginning July 30, 2013, and ending October 30, 2016.

The agency purchased $650,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 101.55 of par on September 6, 2012 and mature on August 26, 2025. The fair value of these securities on June 30, 2013, is $651,348 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on August 26, 2013, to 5.0% on August 26, 2016, to 6.0% on August 26, 2019, and to 7.0% on

August 26, 2022. This investment is callable August 26, 2013, August 26, 2016, August 26, 2019, and August 26, 2022.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.18 of par on November 7, 2012 and mature on June 28, 2027. The fair value of these securities on June 30, 2013, is $1,426,929 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on June 28, 2017, to 5.0% on June 28, 2024, and to 6.5% on June 28, 2026. This investment is callable quarterly beginning December 28, 2012, and ending December 28, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on August 27, 2012 and mature on August 27, 2027. The fair value of these securities on June 30, 2013, is $1,919,370 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.5% with a step-up option to 2.5% on August 27, 2015, to 3.5% on August 27, 2018, to 4.5% on August 27, 2021, and to 5.5% on August 27, 2024. This investment is callable quarterly beginning August 27, 2012, and ending November 27, 2015.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012 and mature on December 27, 2027. The fair value of these securities on June 30, 2013, is $4,694,220 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.0% on June 27, 2013, and to 3.15% on December 27, 2013. This investment is callable quarterly beginning June 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012 and mature on December 27, 2017. The fair value of these securities on June 30, 2013, is $2,945,187 which is included in U.S. Agency Coupon in the table above. This investment has a stated coupon rate of 0.6% with a step-up option to 0.7% on December 27, 2014, to 1.0% on December 27, 2015, to 1.5% on December 27, 2016, and to 3.0% on June 27, 2017. This investment is callable quarterly beginning December 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 28, 2012 and mature on December 28, 2027. The fair value of these securities on June 30, 2013, is $2,813,145 which is included in U.S. Agency Coupon in the table above. This

investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on December 28, 2017, to 4.0% on December 28, 2020, to 5.0% on December 28, 2024, and to 6.0% on December 28, 2025. This investment is callable quarterly beginning June 28, 2013, and ending December 28, 2017.

Credit Risk Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1.h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2013 and June 30, 2012 are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2013						
			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AA+**	**A-1**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$183,618,170		$167,220,366		$5,114,633	$11,283,171
U.S. Treasury Coupon	85,574,572	$85,574,572				
U.S. Agency Discount	151,647,000			$131,647,320		19,999,680
Total	$420,839,742	$85,574,572	$167,220,366	$131,647,320	$5,114,633	$31,282,851

June 30, 2012					
			Credit Quality Rating		
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AA+**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$135,888,316		$118,089,513	$5,237,564	$12,561,239
U.S. Treasury Coupon	91,381,418	$91,381,418			
Repurchase Agreements	110,000,000				110,000,000
Total	$337,269,734	$91,381,418	$118,089,513	$5,237,564	$122,561,239

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

Concentration of Credit Risk   Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than five percent of the agency's investments are invested in the following single issuers:

	June 30, 2013		June 30, 2012	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$173,049,950	41.12	$20,608,842	6.11
Federal Home Loan Mortgage Corp	$42,892,295	10.19	$22,155,470	6.57
Federal National Mortgage Assoc.	$95,869,861	22.78	$73,997,504	21.94
Repurchase Agreements – UBS	$0	N/A	$110,000,000	32.61

NOTE 3. ACCOUNTING CHANGE

During the year ended June 30, 2013, the agency implemented GASB Statement 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"; GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"; and GASB Statement 65, "Items Previously Reported as Assets and Liabilities".

Implementation of GASB 62 did not have any financial reporting impact to the agency. Implementation of GASB 63 required the reclassification of net assets to net position, and it also required the deferred amount on refundings to be classified as a deferred outflow of resources.

Implementation of GASB 65 recognizes bond cost of issuance as an expense; therefore the adoption of this statement resulted in the write-off of unamortized cost of issuance as of July 1, 2011. Cost of issuance incurred by the agency is reported as expense in the fiscal years ending June 30, 2012 and June 30, 2013. The cumulative effect of this change in accounting principle decreased the net position at July 1, 2011 by $14,730,999. The financial statements for the fiscal year ending June 30, 2012 have been restated.

TENNESSEE HOUSING DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 2013 AND JUNE 30, 2012

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$48,965	$61,400

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
HOMEOWNERSHIP PROGRAM BONDS					
2003-1	7/1/2004-7/1/2033	$50,000	1.20 to 5.10	$ -0-	$17,550
2003-2	7/1/2004-1/1/2034	60,000	1.10 to 4.40	-0-	25,210
2003-3	7/1/2004-7/1/2034	75,000	1.20 to 5.00	-0-	28,115
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	28,185	34,125
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	38,435	44,830
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	39,070	47,545
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	46,605	55,550
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	43,960	54,970
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	44,500	55,975
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	41,175	53,450
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	49,935	62,075
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	53,755	64,530
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	71,385	83,880
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	81,950	97,925
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	90,360	102,995
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	33,675	41,610
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	11,915	28,175
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	47,790	58,695
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	2,975	8,105
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	36,870	43,490
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	59,395	65,220
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	87,655	100,050
2011-1	7/1/2012-7/1/2042	141,255	0.60 to 4.65	125,005	138,915
2012-1	1/1/2013-7/1/2042	133,110	0.80 to 4.50	127,265	-0-
2012-2	7/1/2013-7/1/2043	97,625	0.50 to 4.00	96,960	-0-
Total Homeownership Program Bonds		$2,332,690		$1,258,820	$1,312,985
Plus: Unamortized Bond Premiums				14,419	12,119
Less: Unamortized Bond Discount				(218)	(273)
Net Homeownership Program Bonds				$1,273,021	$1,324,831

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.90 to 4.625	$83,295	$91,845
2010-A	1/1/2011-7/1/2041	160,000	0.60 to 5.00	133,945	146,225
2010-B	7/1/2011–7/1/2041	100,000	0.45 to 4.50	91,245	96,795
2011-A	7/1/2011-7/1/2041	100,000	0.45 to 4.50	90,730	97,475
2011-B	7/1/2012-7/1/2041	100,000	0.25 to 4.50	96,980	99,575
2011-C	7/1/2012-7/1/2041	100,000	0.40 to 4.30	97,020	99,995
Total Housing Finance Program Bonds		$660,000		$593,215	$631,910
Plus: Unamortized Bond Premiums				1,829	2,161
Net Housing Finance Program Bonds				$595,044	$634,071

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2013	Ending Balance 6/30/2012
RESIDENTIAL FINANCE PROGRAM BONDS					
2013-1	1/1/2014-7/1/2043	$215,905	0.40 to 4.00	$215,905	$ -0-
Plus: Unamortized Bond Premiums				3,871	-0-
Net Residential Finance Program Bonds				$219,776	$ -0-
Net Total All Issues				$2,136,806	$2,020,302

Housing Finance Program Bonds The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of $34,710,000. The $34,710,000 was blended with the market rate 2011-C bonds in the amount of $65,290,000 for a total of $100,000,000.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2013, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2014	$238,985	$78,133	$317,118
2015	53,630	74,673	128,303
2016	52,575	73,392	125,967
2017	53,870	71,970	125,840
2018	55,030	70,361	125,391
2019 – 2023	230,070	325,553	555,623
2024 – 2028	302,590	273,929	576,519
2029 – 2033	228,440	214,564	443,004
2034 – 2038	289,200	166,610	455,810
2039 – 2043	544,490	58,617	603,107
2044	68,025	1,342	69,367
Total	$2,116,905	$1,409,144	$3,526,049

c. Redemption of Bonds and Notes

During the year ended June 30, 2013, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,235,000, in the Homeownership Program in the amount of $199,355,000 and in the Housing Finance Program in the amount of $31,315,000. The respective carrying values of the bonds were $10,235,000, $202,501,590 and $31,515,181. This resulted in revenue to the Homeownership Program of $3,146,590 and to the Housing Finance Program of $200,181.

On July 19, 2012, the agency issued $133,110,000 in Homeownership Program Bonds, Issue 2012-1. On September 1, 2012, the agency used $43,865,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $43,865,000 early redemption). The carrying amount of these bonds was $43,865,000. The refunding reduced the agency's debt service by $10,700,210 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $6,206,292.

On November 15, 2012, the agency issued $97,625,000 in Homeownership Program Bonds, Issue 2012-2. On January 1, 2013, the agency used $22,625,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $22,625,000 early redemption). The carrying amount of these bonds was $22,625,000. The refunding reduced the agency's debt service by $8,510,283 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $3,758,068.

During the year ended June 30, 2012, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $11,200,000, in the Homeownership Program in the amount of $180,970,000 and in the Housing Finance Program in the amount of $17,055,000. The respective carrying values of the bonds were $11,157,769, $183,542,332 and $17,099,460. This resulted in an expense to the Mortgage Finance Program of $42,231 and revenue to the Homeownership Program of $2,572,332 and to the Housing Finance Program of $44,460.

On December 1, 2011, the agency issued $141,255,000 in Homeownership Program Bonds, Issue 2011-1. On January 1, 2012, the agency used $135,095,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $135,095,000 early redemption). The carrying amount of these bonds was $134,393,628. The refunding resulted in a difference of $701,372 between the reacquisition price and the net carrying amount of the old debt. The refunding reduced the agency's debt service by $37,847,406 over the next 18 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $17,103,985.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2013.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Bonds Payable	$2,006,295	$446,640	($336,030)	$2,116,905	$241,320
Plus: Unamortized Bond Premiums	14,280	10,101	(4,262)	20,119	-0-
Less: Unamortized Bond Discounts	(273)	-0-	55	(218)	-0-
Compensated Absences	1,156	74	(-0-)	1,230	600
Escrow Deposits	3,731	1,610	(2,706)	2,635	172
Total	$2,025,189	$458,425	($342,943)	$2,140,671	$242,092

The following table is a summary of the long-term liability activity for the year ended June 30, 2012.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Notes Payable	$3,250	$-0-	($3,250)	$-0-	$-0-
Bonds Payable	2,129,440	246,545	(369,690)	2,006,295	149,235
Plus: Unamortized Bond Premiums	17,120	1,837	(4,677)	14,280	-0-
Less: Unamortized Bond Discounts	(322)	-0-	49	(273)	-0-
Compensated Absences	994	162	(-0-)	1,156	555
Escrow Deposits	4,776	1,484	(2,529)	3,731	433
Arbitrage Rebate Payable	1,217	418	(1,635)	-0-	-0-
Total	$2,156,475	$250,446	($381,732)	$2,025,189	$150,223

e. Notes Issued and Outstanding

Promissory Note On December 22, 2008, the agency borrowed $3,250,000 for the Preserve Loan Program, which is part of the Housing Trust Fund. Interest was charged quarterly at 3%. The principal matured and was paid on December 22, 2011. The activity of the promissory note is included in the summary of long-term liability activity in part d. of this note.

NOTE 5. RESTRICTED NET POSITION

The amount shown on the Statement of Net Position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 15.03% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were $1,692,847 $1,632,095, and $1,585,654. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's Board of Directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

NOTE 8. INSURANCE-RELATED ACTIVITIES

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The

amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2013, is presented in the *Tennessee Comprehensive Annual Financial Report*. The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only other postemployment benefit (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans – the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* Section 8-27-101. Prior to reaching the age of 65, members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for

healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency. The state is the sole contributor for the THDA retirees participating in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan, adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20, but less than 30, years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retirees 65 years of age or older are provided flat-rate premium subsidies, based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 but less than 30 years of service, $37.50; and retirees with 15, but less than 20 years of service, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2013	June 30, 2012
Annual Required Contribution (ARC)	$362	$393
Interest on the Net OPEB Obligation	46	41
Adjustment to the ARC	(49)	(44)
Annual OPEB cost	359	390
Amount of contribution	(213)	(227)
Increase in Net OPEB Obligation	146	163
Net OPEB obligation-beginning of year	1,157	994
Net OPEB obligation-end of year	$1,303	$1,157

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2013	State Employee Group Plan	$ 359	60%	$ 1,303
6/30/2012	State Employee Group Plan	$ 390	58%	$ 1,157
6/30/2011	State Employee Group Plan	$ 360	44%	$ 994

Funded Status and Funding Progress The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2011, was as follows (thousands):

Actuarial valuation date	7/01/2011
Actuarial accrued liability (AAL)	$ 2,919
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 2,919
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,818
UAAL as a percentage of covered payroll	30%

Actuarial valuations involve estimates of the value of reported amounts and probability assumptions far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent in fiscal year 2013. The rate decreases to 8.25 percent in fiscal year 2014, and then reduces by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued

liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2013, the State of Tennessee made payments of $4,715 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2012, made payments of $2,980. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. NATIONAL MORTGAGE SETTLEMENT FUNDS

The State of Tennessee received $41,207,810 from the United States Attorney General for the National Mortgage Settlement. In June 2012, the agency received $34,500,000 of the $41,207,810. The agency plans to use those funds to expand the Keep My Tennessee Home financial assistance program to include long term medical hardships and to provide foreclosure counseling.

NOTE 13. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2013	Mortgage Finance Program		$ 48,965,000
	Homeownership Program		110,810,000
	Housing Finance Program		24,060,000
		Total	$183,835,000

b. Residential Finance Program Bonds, Issue 2013-2, were authorized by the Board of directors on July 23, 2013, not to exceed $125,000,000.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

August 1, 2013	Homeownership Program		$ 21,110,000
	Housing Finance Program		5,795,000
	Residential Finance Program		5,620,000
		Total	$32,525,000

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2013	Homeownership Program		$ 38,165,000
	Housing Finance Program		10,820,000
	Residential Finance Program		2,935,000
		Total	$51,920,000

e. *Tennessee Code Annotated* Section 13-23-101 *et seq.* was amended to revise the composition of the Board of Directors, effective July 1, 2013.

NOTE 14. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

a. Residential Finance Program Bonds, Issue 2013-2 were sold on November 19, 2013. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2013-2	7/1/2014-7/1/2043	$121,300	0.450 to 4.650

b. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

December 1, 2013	Homeownership Program		$ 33,770,000
	Housing Finance Program		8,035,000
	Residential Finance Program		2,055,000
		Total	$43,860,000

c. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

January 1, 2014	Homeownership Program		$ 45,670,000
	Housing Finance Program		3,845,000
	Residential Finance Program		1,400,000
		Total	$50,915,000

d. Residential Finance Program Bonds, Issue 2014-1, were sold on May 29, 2014. The bond maturities are as follows:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2014-1	1/1/2015-7/1/2039	$150,000	0.32 to 4.00

e. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

April 1, 2014	Homeownership Program		$ 22,930,000
	Housing Finance Program		7,070,000
	Residential Finance Program		2,175,000
		Total	$32,175,000

f. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

June 1, 2014	Homeownership Program		$21,050,000
	Housing Finance Program		7,115,000
	Residential Finance Program		1,820,000
		Total	$29,985,000

g. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

July 1, 2014	Homeownership Program		$25,915,000
	Housing Finance Program		9,715,000
	Residential Finance Program		5,415,000
		Total	$41,045,000

h. Proceeds from Issue 2014-1, will be used to redeem $30,375,000 of Issue 2004-3 Homeownership Program bonds on July 1, 2014.

i. Residential Finance Program Bonds, Issue 2014-2, were authorized by the Board of directors on July 29, 2014, not to exceed $150,000,000.

j. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

August 1, 2014	Homeownership Program		$13,360,000
	Housing Finance Program		4,610,000
	Residential Finance Program		1,645,000
		Total	$19,615,000

k. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

September 1, 2014	Homeownership Program		$11,275,000
	Housing Finance Program		4,950,000
	Residential Finance Program		1,685,000
		Total	$17,910,000

l. Mortgage prepayments and foreclosure proceeds will be used to redeem bonds as indicated below:

October 1, 2014	Homeownership Program		$14,965,000
	Housing Finance Program		6,130,000
	Residential Finance Program		3,175,000
		Total	$24,270,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2009	State Employee Group Plan	$ -0-	$ 3,629	$ 3,629	0%	$ 9,238	39%
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%
7/1/2011	State Employee Group Plan	$ -0-	$ 2,919	$ 2,919	0%	$ 9,818	30%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 16,407	$ 71,109	$ 172,570	$ 52,682	$ 69,666	$ 382,434
Investments	-	236	76	-	14,998	15,310
Receivables:						
Accounts	1	889	13,953	3,297	15	18,155
Interest	14	702	9,170	3,466	83	13,435
First mortgage loans	155	4,568	34,612	11,073	942	51,350
Due from federal government	14,921	-	-	-	-	14,921
Due from other funds	9,335	30	-	-	-	9,365
Total current assets	40,833	77,534	230,381	70,518	85,704	504,970
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	17,827	32	167	51	3,820	21,897
Investments	-	13,048	163,796	20,472	3,030	200,346
Investment Interest receivable	-	118	1,522	111	2	1,753
Investments	-	19,755	29,119	15,040	4,619	68,533
First mortgage loans receivable	1,218	126,080	1,208,420	545,288	54,918	1,935,924
Advance to local government	3,034	-	-	-	-	3,034
Capital assets:						
Furniture and equipment	697	-	-	-	-	697
Less accumulated depreciation	(503)	-	-	-	-	(503)
Total noncurrent assets	22,273	159,033	1,403,024	580,962	66,389	2,231,681
Total assets	63,106	236,567	1,633,405	651,480	152,093	2,736,651
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	1,850	437	-	-	2,287
Total deferred outflows of resources	-	1,850	437	-	-	2,287
LIABILITIES						
Current liabilities:						
Accounts payable	1,552	4	57	27	2	1,642
Accrued payroll and related liabilities	535	-	-	-	-	535
Compensated absences	600	-	-	-	-	600
Due to primary government	71	-	-	-	-	71
Interest payable		1,249	28,037	10,430	563	40,279
Escrow deposits	-	172	-	-	-	172
Prepayments on mortgage loans		49	661	245	31	986
Due to federal government	17,619	-			-	17,619
Due to other funds	-	-	9,365	-	-	9,365
Bonds payable	-	48,965	149,535	35,165	7,655	241,320
Total current liabilities	20,377	50,439	187,655	45,867	8,251	312,589
Noncurrent liabilities:						
Bonds payable	-	-	1,123,487	559,878	212,121	1,895,486
Compensated absences	630	-	-	-	-	630
Net OPEB obligation	1,303	-	-	-	-	1,303
Escrow deposits	281	2,182	-	-	-	2,463
Total noncurrent liabilities	2,214	2,182	1,123,487	559,878	212,121	1,899,882
Total liabilities	22,591	52,621	1,311,142	605,745	220,372	2,212,471
NET POSITION						
Net investment in capital assets	194	-	-	-	-	194
Restricted for single family bond programs	-	172,414	322,700	45,735	(68,279)	472,570
Restricted for grant programs	-	13,382	-	-	-	13,382
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Unrestricted	37,168	-	-	-	-	37,168
Total net position	$ 40,515	$ 185,796	$ 322,700	$ 45,735	$ (68,279)	$ 526,467

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	$ 56	$ 5,406	$ 74,057	$ 29,417	$ 222	$ 109,158
Investment income:						
Interest	46	1,309	8,704	812	10	10,881
Net (decrease) in the fair value of investments	-	(1,812)	(11,724)	(1,608)	(83)	(15,227)
Federal grant administration fees	15,586	-	-	-	-	15,586
Fees and other income	1,845	358	-	-	76	2,279
Total operating revenues	17,533	5,261	71,037	28,621	225	122,677
OPERATING EXPENSES						
Salaries and benefits	16,083	-	-	-	-	16,083
Contractual services	3,930	-	-	-	-	3,930
Materials and supplies	493	-	-	-	-	493
Rentals and insurance	115	-	-	-	-	115
Other administrative expenses	445	-	-	-	-	445
Other program expenses	3,557	3,074	3,008	286	1	9,926
Interest expense	-	2,819	54,352	20,921	551	78,643
Mortgage service fees	-	396	4,750	2,127	18	7,291
Issuance costs	-	-	1,960	-	1,679	3,639
Depreciation	60	-	-	-	-	60
Total operating expenses	24,683	6,289	64,070	23,334	2,249	120,625
Operating income (loss)	(7,150)	(1,028)	6,967	5,287	(2,024)	2,052
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	237,636	2	-	-	-	237,638
Payment from primary government	-	-	-	-	-	-
Federal grants expenses	(237,333)	(19)	-	-	-	(237,352)
Local grants expenses	(11,417)	-	(7,955)	-	-	(19,372)
Total nonoperating revenues (expenses)	(11,114)	(17)	(7,955)	-	-	(19,086)
Income (loss) before transfers	(18,264)	(1,045)	(988)	5,287	(2,024)	(17,034)
Transfers (to) other funds	-	-	(11,424)	(1,652)	(66,255)	(79,331)
Transfers from other funds	15,688	63,643	-	-	-	79,331
Change in net position	(2,576)	62,598	(12,412)	3,635	(68,279)	(17,034)
Total net position, July 1	43,091	123,198	335,112	42,100	-	543,501
Total net position, June 30	$ 40,515	$ 185,796	$ 322,700	$ 45,735	$ (68,279)	$ 526,467

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	$ 180	$ 20,876	$ 322,786	$ 85,147	$ 245	$ 429,234
Receipts from federal government	15,344	-	-	-	-	15,344
Receipts from other funds	-	-	2,790	-	-	2,790
Other miscellaneous receipts	1,845	358	-	-	76	2,279
Acquisition of mortgage loans	-	(7,058)	(149,162)	-	(55,946)	(212,166)
Payments to service mortgages	-	(396)	(4,750)	(2,127)	(18)	(7,291)
Payments to suppliers	(7,806)	(3,262)	(3,006)	(292)	-	(14,366)
Payments to other funds	(2,761)	(29)	-	-	-	(2,790)
Payments to employees	(16,123)	-	-	-	-	(16,123)
Net cash provided (used) by operating activities	(9,321)	10,489	168,658	82,728	(55,643)	196,911
Cash flows from non-capital financing activities:						
Operating grants received	241,160	2	-	-	-	241,162
Transfers in (out)	15,688	63,643	(11,424)	(1,652)	(66,255)	-
Proceeds from sale of bonds	-	-	236,952	-	219,789	456,741
Operating grants paid	(248,823)	(19)	(7,955)	-	-	(256,797)
Cost of issuance paid	-	-	(1,960)	-	(1,679)	(3,639)
Principal payments	-	(12,435)	(284,900)	(38,695)	-	(336,030)
Interest paid	-	(3,000)	(60,872)	(22,166)	(1)	(86,039)
Net cash provided (used) by non-capital financing activities	8,025	48,191	(130,159)	(62,513)	151,854	15,398
Cash flows from capital and related financing activities:						
Purchases of capital assets	(141)	-	-	-	-	(141)
Net cash used by capital and related financing activities	(141)	-	-	-	-	(141)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	48,776	186,776	63,704	-	299,256
Purchases of investments	-	(62,946)	(211,487)	(74,250)	(22,733)	(371,416)
Investment interest received	46	1,321	8,556	766	5	10,694
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	10	1	3	14
Net cash provided (used) by investing activities	46	(12,849)	(16,145)	(9,779)	(22,725)	(61,452)
Net increase (decrease) in cash and cash equivalents	(1,391)	45,831	22,354	10,436	73,486	150,716
Cash and cash equivalents, July 1	35,625	25,310	150,383	42,297	-	253,615
Cash and cash equivalents, June 30	$ 34,234	$ 71,141	$ 172,737	$ 52,733	$ 73,486	$ 404,331

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2013
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (7,150)	$ (1,028)	$ 6,967	$ 5,287	$ (2,024)	$ 2,052
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	60	-	-	-	-	60
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(1)	(246)	1,170	(74)	(15)	834
(Increase) decrease in mortgage interest receivable	1	84	(176)	(538)	(80)	(709)
(Increase) decrease in first mortgage loans receivable	154	9,660	98,873	56,479	(55,860)	109,306
Decrease in due from federal government	(242)	-	-	-	-	(242)
Decrease in interfund receivables	-	-	2,790	-	-	2,790
(Decrease) in interfund payables	(2,761)	(29)	-	-	-	(2,790)
Increase (decrease) in accounts payable	424	(1,274)	(298)	(143)	33	(1,258)
Increase in accrued payroll / compensated absences	240	-	-	-	-	240
Investment income included as operating revenue	(46)	503	3,020	796	73	4,346
Interest expense included as operating expense	-	2,819	54,352	20,921	551	78,643
Issuance cost included as operating expense	-	-	1,960	-	1,679	3,639
Total adjustments	(2,171)	11,517	161,691	77,441	(53,619)	194,859
Net cash provided (used) by operating activities	$ (9,321)	$ 10,489	$ 168,658	$ 82,728	$ (55,643)	$ 196,911
Noncash investing, capital, and financing activities:						
Increase in fair value of investments	$ -	$ (1,560)	$ (11,008)	$ (1,385)	(84)	$ (14,037)
Total noncash investing, capital, and financing activities	$ -	$ (1,560)	$ (11,008)	$ (1,385)	$ (84)	$ (14,037)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION - MORTGAGE FINANCE PROGRAM
JUNE 30, 2013
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 62,838	$ 8,062	$ 70,900	$ 209	$ 71,109
Investments	95	122	217	19	236
Receivables:					
Accounts	585	299	884	5	889
Interest	643	57	700	2	702
First mortgage loans	4,283	285	4,568	-	4,568
Due from other funds	-	30	30	-	30
Total current assets	68,444	8,855	77,299	235	77,534
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	32	-	32	-	32
Investments	13,048	-	13,048	-	13,048
Investment interest receivable	118	-	118	-	118
Investments	2,781	16,177	18,958	797	19,755
First mortgage loans receivable	120,720	5,360	126,080	-	126,080
Total noncurrent assets	136,699	21,537	158,236	797	159,033
Total assets	205,143	30,392	235,535	1,032	236,567
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	1,850	-	1,850	-	1,850
Total deferred outflows of resources	1,850	-	1,850	-	1,850
LIABILITIES					
Current liabilities:					
Accounts payable	2	2	4	-	4
Interest payable	1,249	-	1,249	-	1,249
Escrow deposits	-	-	-	172	172
Prepayments on mortgage loans	46	3	49	-	49
Bonds payable	48,965	-	48,965	-	48,965
Total current liabilities	50,262	5	50,267	172	50,439
Noncurrent liabilities:					
Escrow deposits	-	1,436	1,436	746	2,182
Total noncurrent liabilities	-	1,436	1,436	746	2,182
Total liabilities	50,262	1,441	51,703	918	52,621
NET POSITION					
Restricted for single family bond programs	156,731	15,569	172,300	114	172,414
Restricted for grant programs	-	13,382	13,382	-	13,382
Total net position	$ 156,731	$ 28,951	$ 185,682	$ 114	$ 185,796

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

March 31, 2014

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

	March 31, 2014 (with restated comparative totals as of March 31, 2013)						
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 3/31/2014	Restated Total 3/31/2013
ASSETS							
Current assets:							
Cash and cash equivalents	$ 13,506	$ 8,593	$ 65,495	$ 35,002	$ 19,492	$ 142,088	$ 187,882
Investments	-	-	9,449	3,100	2,450	14,999	508
Receivables:							
Accounts	3	498	23,128	9,045	2,017	34,691	21,536
Interest	19	657	8,092	3,661	1,386	13,815	13,866
First mortgage loans	5	2,044	30,878	10,778	8,259	51,964	51,518
Due from federal government	14,221	-	-	-	-	14,221	13,872
Due from other funds	2,055	10	-	-	-	2,065	2,867
Total current assets	29,809	11,802	137,042	61,586	33,604	273,843	292,049
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	6,319	32	2,135	528	4,759	13,773	12,830
Investments	-	-	157,340	19,642	6,239	183,221	205,010
Investment interest receivable	-	-	2,222	127	42	2,391	2,520
Investments	-	31,232	8,886	4,596	3,690	48,404	65,370
First mortgage loans receivable	1,195	65,815	1,019,704	505,443	332,541	1,924,698	1,967,270
Advance to local government	3,053	-	-	-	-	3,053	3,024
Capital assets:							
Furniture and equipment	697	-	-	-	-	697	556
Less accumulated depreciation	(503)	-	-	-	-	(503)	(443)
Total noncurrent assets	10,761	97,079	1,190,287	530,336	347,271	2,175,734	2,256,137
Total assets	40,570	108,881	1,327,329	591,922	380,875	2,449,577	2,548,186
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amount on refundings	-	-	362	-	944	1,306	2,344
Total deferred outflows of resources	-	-	362	-	944	1,306	2,344
LIABILITIES							
Current liabilities:							
Accounts payable	$ -	$ 2	$ -	$ -	$ -	$ 2	$ 2
Compensated absences	523	-	-	-	-	523	560
Due to federal government	6,467	-	-	-	-	6,467	12,253
Interest payable	-	-	10,954	4,778	3,190	18,922	20,593
Escrow deposits	-	60	-	-	-	60	400
Prepayments on mortgage loans	-	22	814	351	269	1,456	1,217
Due to other funds	-	-	2,065	-	-	2,065	2,867
Bonds payable	-	-	57,010	16,585	6,035	79,630	96,950
Total current liabilities	6,990	84	70,843	21,714	9,494	109,125	134,842
Noncurrent liabilities:							
Bonds payable	-	-	963,813	525,557	325,913	1,815,283	1,871,020
Compensated absences	561	-	-	-	-	561	590
Net OPEB obligation	1,303	-	-	-	-	1,303	1,157
Escrow deposits	220	1,823	-	-	-	2,043	2,077
Total noncurrent liabilities	2,084	1,823	963,813	525,557	325,913	1,819,190	1,874,844
Total liabilities	9,074	1,907	1,034,656	547,271	335,407	1,928,315	2,009,686
NET POSITION							
Net investment in capital assets	195	-	-	-	-	195	113
Restricted for single family bond programs	-	92,329	293,035	44,651	46,412	476,427	487,537
Restricted for grant programs	-	14,645	-	-	-	14,645	16,033
Restricted for Homebuyers Revolving Loan Prograr	3,153	-	-	-	-	3,153	3,154
Unrestricted	28,148	-	-	-	-	28,148	34,007
Total net position	$ 31,496	$ 106,974	$ 293,035	$ 44,651	$ 46,412	$ 522,568	$ 540,844

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2014
(with restated comparative totals for the nine months ended March 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 3/31/2014	Restated Total 3/31/2013
OPERATING REVENUES							
Mortgage interest income	$ 54	$ 1,112	$ 46,874	$ 20,121	$ 9,138	$ 77,299	$ 83,494
Investment income:							
Interest	23	948	6,239	580	234	8,024	8,178
Net increase (decrease) in the fair value of investments	-	(899)	(4,424)	(280)	(70)	(5,673)	(5,638)
Federal grant administration fees	12,749	-	-	-	-	12,749	11,121
Fees and other income	1,514	77	-	-	-	1,591	1,342
Total operating revenues	14,340	1,238	48,689	20,421	9,302	93,990	98,497
OPERATING EXPENSES							
Salaries and benefits	12,322	-	-	-	-	12,322	11,918
Contractual services	4,062	-	-	-	-	4,062	1,727
Materials and supplies	1,761	-	-	-	-	1,761	145
Rentals and insurance	79	-	-	-	-	79	87
Other administrative expenses	349	-	-	-	-	349	310
Other program expenses	3,159	600	1,483	374	167	5,783	7,132
Interest expense	-	814	32,495	14,259	6,180	53,748	59,714
Mortgage service fees	-	143	3,123	1,447	658	5,371	5,535
Issuance costs	-	-	-	-	990	990	1,960
Total operating expenses	21,732	1,557	37,101	16,080	7,995	84,465	88,528
Operating income (loss)	(7,392)	(319)	11,588	4,341	1,307	9,525	9,969
NONOPERATING REVENUES (EXPENSES)							
Federal grants revenue	212,855	-	-	-	-	212,855	175,908
Other grant revenue	-	-	-	-	-	-	17
Federal grants expenses	(212,547)	(54)	-	-	-	(212,601)	(175,625)
Local grants expenses	(9,560)	-	(4,118)	-	-	(13,678)	(12,926)
Payment to primary government	-	-	-	-	-	-	
Total nonoperating revenues (expenses)	(9,252)	(54)	(4,118)	-	-	(13,424)	(12,626)
Income (loss) before transfers	(16,644)	(373)	7,470	4,341	1,307	(3,899)	(2,657)
Transfers (to) other funds	-	(78,449)	(37,135)	(5,425)	-	(121,009)	(19,407)
Transfers from other funds	7,625	-	-	-	113,384	121,009	19,407
Change in net position	(9,019)	(78,822)	(29,665)	(1,084)	114,691	(3,899)	(2,657)
Total net position, July 1	40,515	185,796	322,700	45,735	(68,279)	526,467	543,501
Total net position, End of period	$ 31,496	$ 106,974	$ 293,035	$ 44,651	$ 46,412	$ 522,568	$ 540,844

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2014
(with restated comparative totals for the nine months ended March 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 3/31/2014	Restated Total 3/31/2013
Cash flows from operating activities:							
Receipts from customers	$ 140	$ 68,634	$ 232,616	$ 55,125	$ -	$ 356,515	$ 314,169
Receipts from federal government	12,691	-	-	-	-	12,691	11,786
Receipts from other funds	7,280	20	-	-	-	7,300	3,729
Other miscellaneous receipts	1,514	77	-	-	-	1,591	1,342
Acquisition of mortgage loans	-	(4,434)	(1,391)	(741)	(174,225)	(180,791)	(157,921)
Payments to service mortgages	-	(143)	(3,123)	(1,447)	(658)	(5,371)	(5,535)
Payments to suppliers	(10,057)	(602)	(1,540)	(401)	(104,805)	(117,405)	(10,399)
Payments to other funds	-	-	(7,300)	-	-	(7,300)	(3,729)
Payments to employees	(13,208)	-	-	-	-	(13,208)	(12,118)
Net cash provided (used) by operating activities	(1,640)	63,552	219,262	52,536	(279,688)	54,022	141,324
Cash flows from non-capital financing activities:							
Operating grants received	202,389	-	-	-	-	202,389	174,154
Transfers in (out)	7,625	(77,413)	(37,135)	(5,425)	112,348	-	-
Proceeds from sale of bonds	-	-	-	-	124,469	124,469	236,952
Operating grants paid	(222,806)	(54)	(4,118)	-	-	(226,978)	(189,322)
Cost of issuance paid	-	-	-	-	(990)	(990)	(1,960)
Principal payments	-	(48,965)	(249,525)	(52,555)	(12,010)	(363,055)	(286,435)
Interest paid	-	(1,249)	(52,177)	(20,258)	(3,746)	(77,430)	(85,497)
Net cash provided (used) by non-capital financing activities	(12,792)	(127,681)	(342,955)	(78,238)	220,071	(341,595)	(152,108)
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	-	11,594	42,303	12,912	28,096	94,905	236,318
Purchases of investments	-	(10,686)	(29,413)	(5,019)	(17,901)	(63,019)	(285,582)
Investment interest received	23	705	5,694	606	186	7,214	7,138
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	2	-	1	3	7
Net cash provided (used) by investing activities	23	1,613	18,586	8,499	10,382	39,103	(42,119)
Net decrease in cash and cash equivalents	(14,409)	(62,516)	(105,107)	(17,203)	(49,235)	(248,470)	(52,903)
Cash and cash equivalents, July 1	34,234	71,141	172,737	52,733	73,486	404,331	253,615
Cash and cash equivalents, End of period	$ 19,825	$ 8,625	$ 67,630	$ 35,530	$ 24,251	$ 155,861	$ 200,712

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2014
(with restated comparative totals for the nine months ended March 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Total 3/31/2014	Restated Total 3/31/2013
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	$ (7,392)	$ (319)	$ 11,588	$ 4,341	$ 1,307	$ 9,525	$ 9,969
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(2)	391	(9,175)	(5,748)	(2,002)	(16,536)	(2,547)
(Increase) decrease in mortgage interest receivable	(4)	407	923	(235)	(1,295)	(204)	(1,050)
(Increase) decrease in first mortgage loans receivable	154	62,789	192,450	40,140	(284,940)	10,593	77,802
(Increase) decrease in due from federal government	(58)	-	-	-	-	(58)	665
Decrease in interfund receivables	7,280	20	-	-	-	7,300	3,729
(Decrease) in interfund payables	-	-	(7,300)	-	-	(7,300)	(3,729)
Increase (decrease) in accounts payable	(915)	(501)	96	79	236	(1,005)	(2,128)
(Decrease) in accrued payroll / compensated absences	(680)	-	-	-	-	(680)	(521)
Investment income included as operating revenue	(23)	(49)	(1,815)	(300)	(164)	(2,351)	(2,540)
Interest expense included as operating expense	-	814	32,495	14,259	6,180	53,748	59,714
Issuance cost included as operating expense	-	-	-	-	990	990	1,960
Total adjustments	5,752	63,871	207,674	48,195	(280,995)	44,497	131,355
Net cash provided (used) by operating activities	$ (1,640)	$ 63,552	$ 219,262	$ 52,536	$ (279,688)	$ 54,022	$ 141,324
Noncash investing, capital, and financing activities:							
(Decrease) in fair value of investments	-	(899)	(4,424)	(280)	(70)	(5,673)	(4,566)
Total noncash investing, capital, and financing activities	$ -	$ (899)	$ (4,424)	$ (280)	$ (70)	$ (5,673)	$ (4,566)

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution are expected to be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price. However, under the General Resolution, some or all of these requirements may be modified by a Supplemental Resolution with respect to Program Loans financed with the proceeds of Bonds subsequently issued pursuant to such Supplemental Resolution.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien or other approved lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank and Magna Bank (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 83% of THDA's entire portfolio of mortgage loans. Magna Bank services the remainder. THDA itself is also permitted to service Program Loans on limited basis. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA.

The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

2013 GENERAL RESOLUTION

This Appendix D includes the General Residential Finance Program Bond Resolution (the "2013 General Resolution") adopted by the THDA Board of Directors on January 29, 2013, as amended and supplemented by the Bond Finance Committee of the THDA Board of Directors on April 18, 2013.

TENNESSEE HOUSING DEVELOPMENT AGENCY

General Residential Finance Program Bond Resolution

Adopted January 29, 2013
as amended and supplemented
by the Bond Finance Committee of
THDA on April 18, 2013

ARTICLE I
SHORT TITLE, DEFINITIONS AND INTERPRETATION

ARTICLE II
TERMS OF BONDS

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

ARTICLE IV
APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

ARTICLE V
FUNDS

ARTICLE VI
REDEMPTION OF BONDS

ARTICLE VII
PARTICULAR COVENANTS

ARTICLE VIII
SUPPLEMENTAL RESOLUTIONS

ARTICLE IX
AMENDMENTS

ARTICLE X
DEFAULTS AND REMEDIES

ARTICLE XI
CONCERNING THE FIDUCIARIES

ARTICLE XII
DEFEASANCE MISCELLANEOUS PROVISIONS

General Residential Finance Program Bond Resolution

BE IT RESOLVED *by the Board of Directors of THDA as follows:*

ARTICLE I

SHORT TITLE, DEFINITIONS AND INTERPRETATION

Section 1.1. Short Title. This resolution may hereafter be cited by THDA and is hereinafter sometimes referred to as the "General Residential Finance Program Bond Resolution."

Section 1.2. Definitions. In this Resolution, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means one or more, as the case may be, of the Accounts established pursuant to this Resolution.

"*Accountant*" means the department of audit, division of state audit, in the office of the Comptroller of the Treasury of the State or an independent certified public accountant or firm of independent certified public accountants as may be selected in accordance with applicable laws and may be the accountant or firm of accountants who regularly audit the books and accounts of THDA.

"*Act*" means the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, Sections 13-23-01 et seq., as amended.

"*Aggregate Debt Service*" means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

"*Appreciation Bond*" means any Bond whose Issue Amount is less than 97.5% of the Maturity Amount.

"*Authorized Officer*" means the Chairman and Executive Director of THDA and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of THDA then authorized to perform such act or discharge such duty.

"*Bond" or "Bonds"* means any Residential Finance Program Bond authenticated and delivered under this Resolution and issued under a Supplemental Resolution.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by THDA.

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond means the registered owner of any Outstanding Bond.

"*Bond Reserve Fund*" means the Bond Reserve Fund established pursuant to Section 5.1.

"*Bond Reserve Fund Requirement*" means, as of any date of calculation, the greater of (i) an amount equal to the aggregate of the respective amounts for each Series of Bonds, if any, established in the Supplemental Resolution authorizing such Series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Resolution or (ii) the report of an accountant as to audit or other procedures called for by this Resolution.

"*Code*" means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"*Compounded Amount*" means, as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by THDA in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to Section 2.6, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to Section 2.6. Any determination of Compounded Amount shall assume semi-annual compounding on each January 1 and July 1, straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Debt Service*" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"*Event of Default*" means any of the events specified in Section 10.1.

"*Federal Mortgage Agency*" means the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

"*Fiduciary*" means the Trustee and any Paying Agent, or any or all of them as may be appropriate.

"*Final Compounding Date*" means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year.

"*Fund*" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"*Interest Payment Date*" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"*Internal Rate of Return*" when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to Section 2.6 and compounded semi-annually, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Investment Securities*" means and includes any of the following obligations, to the extent the same are consistent with the then existing investment policy of THDA and at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) bonds, notes and treasury bills of the United States of America or other obligations guaranteed as to principal and interest by the United States of America or any of its agencies;

(2) obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association;

(3) repurchase agreements for obligations of the United States of America or its agencies with any financial institution with long-term unsecured debt rated at least “AA” by S&P and “Aa3” by Moody’s;

(4) certificates of deposit in banks and savings and loan associations recognized as “State Depositories” pursuant to Section 9-4-107 of the Tennessee Code Annotated; provided, that certificates of deposit are collateralized in accordance with Section 9-4-403 of the Tennessee Code Annotated, and provided, further, that the provider of such certificate of deposit shall have a long-term unsecured debt rating of at least “AA-” by S&P and “Aa3” by Moody’s;

(5) prime commercial paper which shall be rated in the highest category by S&P and Moody’s;

(6) prime banker’s acceptances (having maturities of not more than 365 days) that are eligible for purchase by the federal reserve system, provided by any bank, the short-term obligations of which are rated at least “A-1+” by S&P and “P-1” by Moody’s;

(7) guaranteed investment contracts with any financial institution with a long-term unsecured debt rating of at least “AA” by S&P and “Aa3” by Moody’s; provided that such guaranteed investment contract shall have a termination date no later than five and one half years from the date of issuance of the related series of Bonds, except that the termination date with respect to a guaranteed investment contract for any funds on deposit in the Bond Reserve Fund shall be no later than the maturity date of the related series of Bonds; and

(8) any other investments which, at the time of such investment, are authorized for investment of funds of THDA under the Act and would not adversely affect the then current rating assigned to the Bonds.

“*Issuance Amount*” means the price, exclusive of accrued interest (if any), at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter’s compensation, commissions, placement agent’s fees, concessions, Costs of Issuance, or similar costs.

“*Loan Fund*” means the Loan Fund established in Section 5.1.

“*Maturity Amount*” means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on a semi-annual basis.

“*Moody’s*” means Moody’s Investors Service, Inc., and any successor.

“*Non-Mortgage Receipts*” means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund, but shall not include Revenues.

“*Non-Mortgage Receipts Account*” means the Non-Mortgage Receipts Account established in the Revenue Fund pursuant to this Resolution.

“*Outstanding*,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(B), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.6, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"*Paying Agent*" means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"*Permitted Encumbrances*" means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to THDA, indemnity has been provided or similar steps to secure the interest of THDA have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as THDA shall determine do not impair the use or value of the premises.

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in subsection 5.3(D), of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"*Program*" means the various programs for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such programs are financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"*Program Expenses*" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"*Program Guidelines*" means the Program Guidelines adopted by THDA for the Program as in effect on the date of adoption of this Resolution and as revised, amended, altered or supplemented from time to time in accordance with the Act.

"*Program Loan*" means any obligation, including a participation interest therein, acquired by THDA by the expenditure of amounts in the Loan Fund. Such Program Loan shall be made to finance the acquisition of residential housing, or if authorized by a Supplemental Resolution, to finance costs of improvements to or rehabilitation of residential housing or to provide down payment and closing cost assistance. If authorized by a Supplemental Resolution, the term "Program Loan" shall also include a Program Security backed by a pool of Program Loans satisfying any conditions as may be set forth in such Supplemental Resolution.

"*Program Loan Loss Coverage*" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"*Program Security*" means an obligation representing an undivided interest in a pool of Program Loans issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

"*Projected Cash Flow Statement*" means a Certificate delivered pursuant to the provisions of Section 7.11.

"*Rating Agency*" means any nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of THDA; initially, Moody's and S&P.

"*Redemption Account*" means the Redemption Account which is established and created in the Revenue Fund pursuant to this Resolution.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to this Resolution.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bond*" means any Bond authenticated and delivered on original issuance pursuant to Section 2.7 or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to this Resolution.

"*Resolution*" means this Resolution and any amendments or supplements made in accordance with its terms.

"*Revenue Fund*" means the Revenue Fund established pursuant to Section 5.1.

"*Revenues*" means, upon receipt thereof by THDA, all payments proceeds, rents, charges and other cash income received by THDA from or on account of any Program Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, principal and interest on any Program Loan) or Program Security, but excludes (i) any amount retained by a servicer of any Program Loan as compensation for services rendered in connection with such Program Loan, (ii) any payments for the guaranty or insurance of any Program Loan or Program Security, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Loan and (iv) payments or charges constituting construction performance or completion reserves required pursuant to a Program Loan.

"*S&P*" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, and any successor.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

"*State*" means the State of Tennessee.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of this Resolution, adopted by THDA and effective in accordance with Article VIII.

"*THDA*" means the Tennessee Housing Development Agency, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of THDA.

"*Trustee*" means U.S. Bank National Association, the Trustee appointed as provided in Section 11.1 and its successor or successors and any other person at any time substituted in its place pursuant to this Resolution.

Section 1.3. Interpretation. In this Resolution, unless the context otherwise requires:

(1) the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Resolution, refer to this Resolution, and the term “heretofore” means before, and the term “hereafter” means after, the date of adoption of this Resolution;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(5) if at any time there shall be one person who shall be the holder of all of the Outstanding Bonds and the consent of the Trustee shall be required, the consent of such person shall be required in lieu of the consent of the Trustee, unless such person shall have been notified and shall not have consented within a reasonable period of time;

(6) this Resolution shall be governed by and construed in accordance with the applicable laws of the State;

(7) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of said Bond;

(8) the date upon which any Sinking Fund Payment is required to be paid pursuant to this Resolution and the provisions of the Bonds of each Series shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(9) the verb “finance”, when used with reference to a Program Loan, shall be construed to include (i) the making or purchase of such Program Loan (ii) the participation by THDA, either with itself or with others, in the making or purchase thereof or (iii) the permanent financing of a Program Loan which has been temporarily financed by THDA through the issuance of notes or other obligations or otherwise;

(10) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon;

(11) any moneys, documents, securities, obligations or other items received by the Trustee pursuant to the terms of this Resolution shall be deemed to have been received by THDA;

(12) any reference in this Resolution to principal or interest on bonds which is payable on a certain date or during a certain period of time is a reference to an amount payable on such date or during such period and does not include the obligation to pay any principal or interest after such date or period;

(13) any reference to the principal amount of Bonds shall be a reference to the Maturity Amount or the Compounded Amount thereof as of any particular date of computation in the case of Appreciation Bonds and shall mean the amount, irrespective of interest, payable upon the maturity of any Bond which is not an Appreciation Bond;

(14) references to “semi-annual” payments of interest or compounding of yield refer to payment or compounding on January 1 and July 1 of each year; and

(15) the “Compounded Amount” of an Appreciation Bond represents an accrual of the principal amount thereof payable at maturity and does not represent interest thereon, except that, for purposes of determining the Redemption Price of a Bond, the priority of payments under Section 10.3 and the required principal amount in connection with approvals and consents of Bondholders pursuant to this resolution, any

increase in the Compounded Amount occurring since the most recent Interest Payment Date shall be treated as if it were interest.

(B) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than THDA, the Fiduciaries and the holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of THDA, shall be for the sole and exclusive benefit of THDA, the Fiduciaries and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of THDA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.1. Authorization for Resolution and Bonds. This Resolution and the issuance of Bonds hereunder have been duly authorized by THDA and the principal amount of Bonds that may be issued hereunder is not limited except as provided herein or by law. THDA has ascertained and it is hereby determined and declared that the adoption of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of THDA in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the purposes of THDA under the Act.

Section 2.2. Resolution to Constitute Contract. The provisions of this Resolution shall be deemed to be and shall constitute a contract among THDA, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of THDA shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

Section 2.3. Obligation of Bonds.

(A) This Resolution creates an issue of Bonds of THDA and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest on such Bonds, including any Sinking Fund Payments for the retirement thereof. The Bonds shall be special, limited obligations of THDA payable solely from the revenues and assets pledged therefor pursuant to this Resolution. The Bonds shall not be deemed to constitute a debt, liability, or obligation of the State or of any other political subdivision thereof, and neither the full faith and credit, nor the taxing power of the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds. The Bonds shall contain on their face a statement that THDA shall not be obligated to pay the Bonds, nor the interest thereon, except from the revenues or assets pledged by THDA therefor and that neither the full faith and credit, nor the taxing power of the State or of any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds.

(B) The Revenues and Non-Mortgage Receipts and all amounts held in any Fund or Account, including investments thereof, are hereby pledged to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. In addition, subject to the provisions of subsection 10.2(D), THDA hereby pledges and assigns, to secure the payment of the Bonds, all right, title and interest of THDA in and to the Program Loans, including any extensions and renewals thereof. To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice hereof.

Section 2.4. Authorization of Bonds. In order to provide sufficient funds for the operation of the Program or for the refunding of Bonds, bonds of THDA are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided by law. No Bonds shall be issued unless they are part of an issue described in a Supplemental Resolution and until the conditions contained in Section 2.6 or, in the case of Refunding Bonds, Section 2.7 are satisfied.

Section 2.5. Issuance and Delivery of Bonds. After their authorization by THDA, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication and, upon compliance by THDA with the requirements of Section 2.6 and, in the case of Refunding Bonds, Section 2.7, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of THDA.

Section 2.6. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be executed by THDA for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to THDA or upon its order, but only upon the receipt by the Trustee of:

(1) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

(a) the authorized principal amount (by reference to the amount payable at maturity thereof) and designation of such Bonds;

(b) the purposes for which such Bonds are being issued, which shall be one or more of the following: (i) the making of deposits into the Loan Fund, (ii) the making of deposits in at least the amounts, if any, required by this Resolution into the Revenue Fund and Bond Reserve Fund, (iii) the refunding of any Bonds, or (iv) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds (or the manner of determining such dates);

(d) the interest rates of such Bonds (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Bonds;

(f) the Paying Agents and the places of payment of such Bonds or, subject to Article XI, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of Article VI, the redemption terms for such Bonds or the manner of determining such Redemption Prices or terms of redemption;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds of like maturity or the manner of determining such amounts and dates;

(i) provisions for the time, place and manner of such sale of such Bonds, as provided in the Act;

(j) provisions concerning the forms of such Bonds and of the Trustee's certificate of authentication; and

(k) any other provisions deemed advisable by THDA as shall not conflict with the provisions hereof;

(2) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution and any other authorization or determination necessary as a condition precedent to the delivery of such Bonds has been duly and lawfully adopted or made and is in full force and effect; (ii) this Resolution has been duly and lawfully authorized, executed and delivered by THDA and is valid and binding upon, and enforceable against, THDA (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Resolution creates the valid pledge which

it purports to create of the Revenues and of moneys and securities or deposit in any of the Funds established hereunder, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (iv) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Resolution;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer and attaching a schedule of Compounded Amounts in the event THDA wishes to specify such amounts with respect to any Appreciation Bonds which constitute a portion of such issue;

(4) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to Section 4.1;

(5) except in the case of the initial Series of Bonds hereunder, a Certificate of an Authorized Officer stating that the conditions of Section 7.14 for the issuance of additional Bonds have been met;

(6) a Projected Cash Flow Statement, as of the date of such delivery, complying with the conditions of subsection 7.11(C); and

(7) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution entered into pursuant to Article VIII.

Section 2.7. Conditions Precedent to Delivery of Refunding Bonds.

(A) In addition to the requirements of Section 2.6, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(1) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the obligations to be refunded (which may include Bonds, or bonds or other obligations of THDA issued pursuant to THDA resolutions other than the Resolution) and the payment or redemption dates, if any, upon which such obligations are to be paid or redeemed;

(2) if the obligations to be refunded are to be redeemed subsequent to the next succeeding ninety days, irrevocable instructions to the Trustee to give, in accordance with the appropriate resolution of THDA which authorized the issuance of such obligations, notice of the redemption of such obligations on a specified date prior to their redemption date; and

(3) either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the obligations to be refunded, together with accrued interest on such obligations to the due date or redemption date, or (ii) Investment Securities as described in subsection (B) of Section 12.1 (or, as applicable, such other investments as required by the appropriate resolution of THDA which authorized the issuance of such obligations to cause such obligations to be similarly defeased), the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or redemption price of the obligations to be refunded, together with accrued interest on such obligations to the redemption dates or dates of maturity thereof, which moneys or appropriate investments shall be held by the Trustee or any one or more of the Paying Agents in the Redemption Fund, or, as applicable, by the Trustee under the resolution of THDA which authorized the issuance of such obligations.

(B) To the extent the obligations being refunded are Bonds issued hereunder, except as provided in Section 12.1 or paragraph 10.2(A)(6), neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (A)(3) of this Section or principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in subsection 12.1(B) maturing at times and in amounts sufficient to pay when due the

principal or applicable Redemption Price of such Bonds, together with such accrued interest. Nothing in this Section, however, is intended to restrict the use of amounts received on account of any portion of the principal or interest on any Investment Securities deposited pursuant to subsection (A) above which are in excess of the amounts required to be so deposited in order to provide moneys sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds and, to the extent such Bonds have been deemed to have been paid within the meaning of Section 12.01, such amounts may be pledged by THDA and withdrawn by THDA as received and applied to any purpose of THDA, free and clear of the lien of this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Medium of Payment, Denomination, Maturities, Form and Date.

(A) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Except as may otherwise be provided in a Supplemental Resolution, all Bonds shall be in the denomination of $5,000 each or in denominations of any whole multiple thereof.

(C) Except as may otherwise be provided in a Supplemental Resolution, the date upon which any Principal Installment with respect to a Series of Bonds is payable shall be the first day of any January or July. Except as may otherwise be provided in a Supplemental Resolution, interest on each Bond shall be payable semiannually on the first day of any January or July commencing, with respect to any Series of Bonds, on the January 1 or July 1 set forth in the Supplemental Resolution adopted in connection with the issuance of such Series.

(D) Bonds shall be issued in fully registered form, without coupons.

(E) All Bonds shall bear interest from their date unless another date for the accrual of interest thereon is specified in such Bond. Interest may be made payable at a final or variable rate, based on the principal amount of the Bond (including the Compounded Amount from time to time), or upon any other amount specified in the Bond or incorporated therein by reference. Upon the original delivery of the Bonds or an exchange or transfer of Bonds pursuant to Section 3.5 or Section 3.6 hereof, the Trustee shall note the date of authentication on each Bond to be delivered. Each Bond delivered upon transfer or in exchange for or in lieu of any other Bond shall carry all the right to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise.

Section 3.3. Interchangeability of Bonds. Upon surrender thereof at the principal or corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Bonds may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.6, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any of the authorized denominations.

Section 3.4. Negotiability and Registry. All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, THDA shall maintain and keep, at the principal or corporate trust office of the Trustee, books for the registration, transfer and exchange of Bonds. So long as any of the Bonds remain Outstanding, THDA shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

Section 3.5. Transfer of Bonds.

(A) Except as provided for in Section 3.7 herein, each fully registered Bond shall be transferable only upon the books of THDA, which shall be kept for such purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written

instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such fully registered Bond, THDA shall issue in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(B) THDA and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of THDA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither THDA nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.6. Regulations With Respect to Exchanges and Transfers. Except as provided for in Section 3.6 herein, in all cases in which the privilege of exchanging or transferring Bonds is exercised, THDA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, THDA or the Trustee may make a charge sufficient to reimburse it for any expenses of THDA or the Trustee in connection therewith and for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds or as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. If the Bonds are not registered with a central depository system as provided in Section 3.7, THDA shall not be obliged to make any such exchange or transfer of Bonds (i) during the ten days preceding an Interest Payment Date on such Bonds, (ii) during the ten days preceding the date of the mailing of notice of any proposed redemption of Bonds, or (iii) with respect to any particular Bond, after such Bond has been called for redemption. THDA may, by written notice to the Trustee, establish a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, but such record date shall be not more than ten days preceding an Interest Payment Date on such Bonds or, in the case of any proposed redemption of Bonds next preceding the date of the first redemption of Bonds.

Section 3.7. Central Depository System.

(A) Notwithstanding the other provisions of this Resolution regarding registration, ownership, transfer, Bondholder consent, payment and exchange of Bonds, and the giving of notices of Bondholders as required by the provisions of this Resolution, a Supplemental Resolution may provide that all or a portion of Bonds shall be issued as book-entry only Bonds and registered in the name of a central securities depository or its nominee (the “Central Securities Depository”), in which case matters relating to registration, ownership, transfer, consent, payment and exchange of Bonds, and relating to the giving of notices to Bondholders as required by the provisions of this Resolution, shall be governed by the operational arrangements of such Central Securities Depository.

(B) With respect to Bonds registered in the registry books kept by the Trustee in the name of a Central Securities Depository, THDA and the Trustee shall have no responsibility or obligation to any participant or to any beneficial owner. Without limiting the immediately preceding sentence, THDA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Central Securities Depository or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant, any beneficial owner or any other person other than the Central Securities Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant, any beneficial owner or any other person, other than the Central Securities Depository, of any amount with respect to the principal of or premium, if any or interest on the Bonds. THDA and the Trustee may treat as and deem the Central Securities Depository to be the absolute owner of each Bond, for the purpose of payment of the principal of and premium and interest on such Bond for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Central Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge THDA’s obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than the Central Securities Depository shall receive an authenticated Bond evidencing the obligation of THDA to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by the Central Securities Depository to the Trustee of written notice to the effect that the Central Securities Depository has determined to substitute a new nominee, and subject to the provisions herein with respect to consents, the words “Central Securities Depository” in this Resolution shall refer to such new nominee of the Central Securities Depository.

(C) Upon receipt by THDA and the Trustee of written notice from the Central Securities Depository to the effect that the Central Securities Depository is unable or unwilling to discharge its responsibilities and no substitute the Central Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of THDA kept by the Trustee in the name of the Central Securities Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(D) In the event THDA determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates and subject to the operational arrangements of such Central Securities Depository, THDA may notify the Central Securities Depository and the Trustee, whereupon the Central Securities Depository will notify the participants, of the availability through the Central Securities Depository of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the Central Securities Depository and any other Bondowners in appropriate amounts, and whenever the Central Securities Depository requests THDA and the Trustee to do so, the Trustee and THDA will cooperate with the Central Securities Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bond to any Central Securities Depository participant having Bonds credited to its Central Securities Depository account or (ii) to arrange for another Central Securities Depository to maintain custody of certificates evidencing the Bonds.

(E) In connection with any notice of other communication to be provided to Bondholders pursuant to this Resolution by THDA or the Trustee with respect to any consent or other action to be taken by Bondholders, THDA or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Central Securities Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(F) Any transfer of a Bond affected in accordance with this Section 3.7 shall be subject to applicable laws of the State.

Section 3.8. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, THDA shall execute and the Trustee shall authenticate a new Bond of like interest rate, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and substitution for a Bond which have been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to THDA and the Trustee that such Bond have been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing THDA and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as THDA and the Trustee may prescribe and pay such expenses as THDA and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to THDA.

Section 3.9. Preparation of Definitive Bonds; Temporary Bonds.

(A) Definitive Bonds shall be typed, lithographed or printed on steel engraved borders; provided, that Bonds which are held by a Central Securities Depository shall be in form acceptable to such Central Securities Depository. Until definitive Bonds are prepared THDA may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations of $5,000 or such other denomination as may be authorized for such Bonds or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, THDA at its own expense shall prepare and execute and, without charge to the holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.10. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with

all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with THDA and the other executed Certificate shall be retained by the Trustee. Notwithstanding the foregoing, Bonds purchased by THDA shall not be cancelled to the extent that upon such purchase THDA shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond shall be purchased but not cancelled and (ii) in the event the interest on such Bonds is excludable from gross income for purposes of federal income taxation, a Bond Counsel's Opinion to the affect that the failure to cancel such Bond will not, in and of itself, adversely affect such excludability.

Section 3.11. Execution and Authentication.

(A) After their authorization by a Supplemental Resolution, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of THDA by the manual or facsimile signature of the Chairman, Vice Chairman or Executive Director of THDA and the corporate seal of THDA (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bonds of a Series may be signed and sealed on behalf of THDA by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by THDA, although the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Bonds, executed manually by the Trustee. No Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of THDA shall be conclusive evidence that the Bond so authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. The proceeds of sale of any Series of Bonds, other than the proceeds of Refunding Bonds, shall, as soon as practicable upon the delivery thereof by the Trustee pursuant to Section 2.6 be applied as follows:

(1) the amount, if any, necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Bond Reserve Fund, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Series; and

(2) the balance remaining after such deposit has been made shall be applied as specified in the Supplemental Resolution or as provided in a Certificate of an Authorized Officer.

Section 4.2. Application of Amounts in the Loan Fund. No amount in the Loan Fund shall be expended or applied for the purpose of financing Program Loans except upon compliance with the provisions of subsection 5.2(C). In addition, no Program Loan shall be financed unless such Program Loan (i) complies in all respects with the Act in effect on the date of financing and (ii) complies with any additional program covenants or requirements contained in the related Supplemental Resolution.

Section 4.3. Application of Proceeds of Refunding Bonds. The proceeds of the Refunding Bonds of a Series shall be deposited in the Redemption Account or the Debt Service and Expense Account as provided in the Supplemental Resolution authorizing such Bonds.

Section 4.4. Deposits. Except as provided in Sections 2.7 and 12.1 and subject to the right of THDA to direct the deposit of funds, whenever such amounts are not invested in Investment Securities, the Trustee shall, if permitted by law, deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of this Resolution in interest-bearing time deposits or certificates of deposit, or may enter into repurchase agreements or make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor. Each such interest-bearing time deposit, repurchase agreement or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed by THDA to be expended and, except to the extent that any such deposits shall be insured by the United States of America or the Federal Deposit Insurance Corporation, or its successor, on terms which in the judgment of THDA (as expressed in written instructions to the Trustee) provide reasonable liquidity, all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar banking arrangement shall be either continuously and fully secured under the laws of the State as determined by Board of Directors of THDA by Investment Securities (or other obligations rated in either of the two highest rating categories by a nationally recognized rating service) having a market value equal at all times to the amount of the interest-bearing time deposit, repurchase agreement, certificate of deposit or other similar banking arrangement. Notwithstanding the foregoing, repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with and recognized as primary dealers by a Federal Reserve Bank and may be entered into with any other person if (i) all amounts payable thereunder, are fully and continuously secured by Investment Securities of the type described in clauses (1) through (6) of the definition thereof in Section 1.2, (ii) the Trustee shall receive confirmation that such securities are being held for the benefit (and subject to the direction) of the Trustee by a national bank or member bank of the Federal Reserve System other than the obligor under such arrangement and (iii) the market value of the Investment Securities being held shall be maintained at a level sufficient to maintain the then current rating on the Bonds by each Rating Agency.

Section 4.5. Investment of Certain Funds.

(A) Subject to the right of THDA to direct the investment or deposit of funds hereunder in accordance with this Section, moneys in any Fund shall be continuously invested and reinvested or deposited and redeposited in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing current return (with proper preservation of principal) and minimizing the instances of uninvested funds. THDA shall consult with the Trustee from time to time as to the investment of amounts in the Funds established or confirmed by this Resolution. THDA may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in any Fund in Investment Securities in accordance with this Section and toward the objective that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended.

(B) Investment Securities purchased as an investment of moneys in any Fund held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such Fund but, except as may be otherwise provided for amounts deposited in the Redemption Fund in connection with the issuance of Refunding Bonds, the income or interest earned and gains realized in excess of losses suffered by a Fund due to the investment thereof shall be deposited as Non-Mortgage Receipts in the Non-Mortgage Receipts Account or shall be credited as Non-Mortgage Receipts to the Non-Mortgage Receipts Account from time to time and reinvested.

(C) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to this Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for which such investment was made or whenever, in the discretion of THDA, any such sale or presentment is necessary in compliance with Section 7.9. The Trustee shall advise THDA in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund in its custody under the provisions of this Resolution as of the end of the preceding month.

Section 4.6. Valuation and Sale of Investments.

(A) In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement, Investment Securities shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a

premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made as soon as practicable prior to each Interest Payment Date and at any other time required hereunder, and on any particular date shall not include the amount of interest then earned or accrued to such date on any investment.

(B) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. An Investment Security may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another.

ARTICLE V

FUNDS

Section 5.1. Establishment of Funds.

(A) THDA hereby establishes and creates the following special trust funds:

(1) Loan Fund;

(2) Revenue Fund; and

(3) Bond Reserve Fund.

(B) All such Funds shall be held and maintained by the Trustee and shall be identified by THDA and the Trustee according to the designations herein provided in such manner as to distinguish such Funds from the Funds established by THDA for any other of its obligations. All moneys or securities held by the Trustee pursuant to this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolution and the Act.

(C) This Resolution contemplates the establishment of Subaccounts within the Funds created pursuant to this Resolution. In addition to the Subaccounts established hereunder, the Trustee may from time to time, establish, close and reestablish such additional Funds, Accounts or Subaccounts as may be requested by THDA for convenience of administration of the Program and as shall not be inconsistent with the provisions of this Resolution. Notwithstanding anything in this Resolution to the contrary, including Section 2.2 hereof, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, THDA may cause the Trustee to establish a Subaccount into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit hereunder and such Supplemental Resolution may provide that initial proceeds of such Bonds on deposit therein are pledged solely to certain of the Bonds of such Series.

Section 5.2. Loan Fund.

(A) There shall be deposited from time to time in the Loan Fund any amount required to be deposited therein pursuant to this Resolution and any other amounts determined to be deposited therein from time to time.

(B) Amounts in the Loan Fund shall be expended only (i) to finance Program Loans, in accordance with Section 4.2; (ii) to pay Costs of Issuance; (iii) to make deposits in the Debt Service and Expense Account, representative of capitalized interest, in the manner provided in subsection (D) of this Section; (iv) to redeem Bonds in accordance with subsection (E) of this Section; and (v) to provide amounts for deposit in the Debt Service and Expense Account in accordance with subsection (F) of this Section. All Program Loans financed by application of amounts in the Loan Fund shall be credited to the Loan Fund.

(C) THDA shall maintain accurate records in the office of THDA describing for each Program Loan the amounts applied to the financing of such Program Loan and the persons and dates related to such payments. Upon the direction by THDA to apply amounts on deposit to the financing of Program Loans an Authorized Officer shall certify that, as to the Program Loans expected to be financed (i) the terms of such Program Loans will conform to the description of the Program Loans to be financed from such amount as set forth in the most recent Projected Cash Flow Statement delivered to the Trustee and (ii) such Program Loans will comply with the provisions of Section 4.2. The

Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Fund at any time for the purpose of making payments pursuant to this Section only upon receipt of:

(1) a written requisition setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include THDA) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from the Loan Fund pursuant to such requisition is a proper charge thereon.

(D) At least one day prior to each Interest Payment Date THDA shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amount necessary, in the opinion of such Authorized Officer, to pay interest on the Bonds of each Series from the amount on deposit in the Loan Fund, after giving effect to the actual and expected application of amounts therein to the financing of Program Loans as of the date of such Certificate. Upon receipt of such Certificate the Trustee shall transfer the amount so stated for each Series to the Debt Service and Expense Account, but only to the extent that the cumulative amount of such transfers does not exceed for each Series the amount stated as necessary to be reserved in the Loan Fund for the purpose of paying capitalized interest pursuant to the Projected Cash Flow Statement delivered in connection with the delivery of such Series pursuant to subsection 7.11 plus the amount, if any, certified by an Authorized Officer as available for such purpose from amounts originally reserved in the Loan Fund for the payment of capitalized interest and Costs of Issuance with respect to other Series in excess of the amounts actually required therefor.

(E) At any time THDA may direct the Trustee in writing to transfer amounts in the Loan Fund to the Redemption Account or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the provisions of Article VI.

(F) THDA may at any time direct the Trustee to transfer amounts in the Loan Fund to the Revenue Fund, but only if there is delivered to the Trustee a Projected Cash Flow Statement showing the amount to be so transferred and that, after giving effect to such transfer, such Statement complies with subsection 7.11(C).

Section 5.3. Revenue Fund.

(A) The Trustee shall establish and create within the Revenue Fund three Accounts into which amounts shall be deposited and from which amounts shall be transferred as provided in this Section. These Accounts shall be designated as the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account. THDA shall cause all Revenues to be deposited promptly with the Trustee (at least monthly) and such amounts shall be deposited in the Debt Service and Expense Account. There shall also be deposited in the Debt Service and Expense Account any other amounts required to be deposited therein pursuant to this Resolution.

(B) The Trustee shall pay out of the Debt Service and Expense Account to the respective Paying Agents for any of the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments. Upon receipt of appropriate requisitions and certificates reflecting such payment in the form prescribed by subsection 5.2(C), amounts on deposit in the Debt Service and Expense Account may be applied to the payment of accrued interest in connection with the financing of any Program Loan.

(C) Prior to the forty-fifth day preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by an Authorized Officer of THDA shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of said Sinking Fund Payment plus unpaid interest

accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(2) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (K) of this Section (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 6.3, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service and Expense Account to the appropriate Paying Agents on the date preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) Upon delivery by THDA to the Trustee of a Certificate of an Authorized Officer which states the amount then on deposit in the Debt Service and Expense Account, the Trustee shall promptly transfer from the Debt Service and Expense Account an amount equal to the amount stated in such Certificate as follows:

FIRST: From amounts representing principal payments on Program Loans, the amount, if any, as shall be required by the Code to be applied to the redemption of Bonds shall be transferred to the Redemption Account.

SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount, if any, as shall be required to make any arbitrage rebate payment to the United States of America as required by the Code shall be transferred to THDA to be applied to such payment.

THIRD: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.

FOURTH: From the amount, if any, so available after the transfers provided above have been made, the amount needed to pay reasonable and necessary Program Expenses which are due and owing shall be transferred to THDA, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

FIFTH: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, to be transferred to the Loan Fund shall be so transferred, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

SIXTH: From the amount, if any, so available after any transfers provided for above have been made, the remaining amount may be transferred to the Redemption Account upon the direction of THDA and thereafter applied in accordance with subsection (I) of this Section. If the amount of Program Loans (valued at par) and

Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA, to be applied to any purpose of THDA consistent with Section 7.9, free and clear of the lien of any pledge of this Resolution, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

(G) Notwithstanding any other provision of this Section, the Trustee may at any time, upon the written direction of an Authorized Officer, (i) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund, or the Redemption Account or (ii) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer or payment shall be made, however, unless such withdrawal is in an amount less than or equal to the amount of such withdrawal as set forth in the most recent Projected Cash Flow Statement.

(H) Notwithstanding the provisions of subsection (A) of this Section, no payments shall be required to be made into the Debt Service and Expense Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the Bonds have been defeased in accordance with Section 12.1 hereof; any Revenues thereafter received by THDA may be applied to any corporate purpose of THDA free and clear of the lien of the pledge of this Resolution.

(I) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Resolution and any other amounts available therefor and determined by THDA to be deposited therein. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, all amounts deposited in the Redemption Account shall be applied to the payment, purchase or redemption of Bonds, at the earliest practicable Redemption Date. Subject to the provisions of this Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in this Section and Article VI. Any earnings derived from the investment of amounts deposited in the Redemption Account pursuant to Section 2.7 shall, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in said Section, be deposited in the Redemption Account. Amounts on deposit in the Redemption Account for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Supplemental Resolution authorizing the issuance of Refunding Bonds, including amounts derived from the investment thereof as provided in this subsection, shall be segregated and shall be identified as such on the records of the Trustee.

(J) Except as may be otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit therein. THDA may, however, by delivery to the Trustee of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of THDA. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as THDA shall from time to time direct or, in the absence of such direction, as the Trustee may determine in its sole discretion and as may be possible with the amounts then available therefor. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Resolution on any date or dates within thirteen months after such purchase, in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price, and deposit the same in the Debt Service and Expense Account within the Revenue Fund.

(K) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward each such Sinking Fund Payment thereafter to become due an amount as nearly as may be practicable in multiples of $5,000 (or such other denomination as shall be authorized for the related Series of Bonds) bearing the same ratio to such Sinking Fund Payment, as the total principal amount of such Bond so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(L) Except as otherwise specifically provided herein, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price or at any other price and any arm's length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(M) All Non-Mortgage Receipts shall be deposited, promptly upon receipt by the Trustee, in the Non-Mortgage Receipts Account. The Trustee shall maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund and the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund (referred to in this Section as the "average daily balance"). If so directed by THDA, the Trustee shall maintain such for each Series of Bonds separately.

(N) Not later than each Interest Payment Date, the Trustee shall transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of the transfers provided by this Subsection, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

(O) Any amount remaining in the Non-Mortgage Receipts Account after the transfer to the Debt Service and Expense Account described in paragraph (N) above shall be transferred, at the direction of an Authorized Officer, to the Loan Fund or the Redemption Account.

Section 5.4. Bond Reserve Fund.

(A) If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Fund and the Redemption Fund, if applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Bond Reserve Fund to the extent necessary to make good the deficiency.

(B) If, concurrently with any allocation from the Revenue Fund pursuant to subsection (B) or (F) or (G) of Section 5.3, the amount on deposit in the Bond Reserve Fund, shall be in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed in writing by an Authorized Officer of THDA, transfer the amount of such excess to the Redemption Account.

(C) Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Fund shall be transferred to the Bond Reserve Fund. Prior to said transfer all investments held in the Revenue Fund shall be liquidated and any Bonds constituting a part of such Fund shall be deemed paid and cancelled.

(D) It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Resolution, in the Bonds and in the respective Supplemental Resolutions authorizing the issuance of such Bonds and authorizing the issuance of Refunding Bonds.

Section 6.2. Redemption at the Election or Direction of THDA; Conditional Notice. In the case of any redemption of Bonds otherwise than as provided in Section 6.3, THDA shall give written notice to the Trustee of its election or direction so to redeem, on the Redemption Date, the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by THDA in its sole discretion, subject to any limitations with respect thereto as may be provided in a Supplemental Resolution or otherwise contained in or permitted by this Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least forty-five days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 6.5, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise THDA shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed; provided, however, that any election or direction to redeem Bonds may be conditional, and THDA may elect or direct that any notice of redemption given pursuant to Section 6.5 shall be made conditional, upon the deposit with the Paying Agent of such sufficient moneys or other conditions. THDA shall promptly notify the Trustee in writing of all such payments made by THDA to a Paying Agent.

Section 6.3. Redemption Otherwise Than at THDA's Election or Direction. Whenever by the terms of this Resolution, the Trustee is required to redeem Bonds otherwise than at the election or direction of THDA, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article V, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, interest rate and maturity, the Trustee shall assign to each such Outstanding fully registered Bond a distinctive number for each $5,000 of the principal amount thereof so as to distinguish each such $5,000 from each other portion of the Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds bearing the numbers so selected; but only so much of the principal amount of each such fully registered Bond of a denomination or more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding. In the case of Appreciation Bonds, in the event that the Compounded Amount of any such Bond shall be less than $5,000, the Trustee shall assign a number to such Bond as if the Bond had a principal amount equal to $5,000 for purposes of this Section. If a Supplemental Resolution provides for a minimum denomination larger (or smaller) than $5,000, all references in this Section to $5,000 shall be deemed to refer to such larger (or smaller) minimum denomination. Notwithstanding the foregoing, Bonds that are held by a Central Securities Depository (or beneficial ownership interests in Bonds registered in the name of a Central Securities Depository or its nominee) shall be selected for redemption in accordance with the operational arrangements of such Central Securities Depository.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Resolution pursuant to Section 6.3, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth in summary terms, the conditions precedent to such redemption and

that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository as provided in Section 3.7 hereof) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

Section 6.6. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 6.5 and assuming that all conditions precedent have been satisfied, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of portions of Bonds, a written instrument of exchange duly executed by the registered owner or his duly authorized attorney. If there shall be drawn for redemption less than the entire principal amount of a Bond, THDA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable.

If any notice of redemption pursuant to Section 6.5 is given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient moneys to pay the Redemption Price therefor on the Redemption Date and if such moneys sufficient to pay the Redemption Price and accrued interest have not been made available by THDA to the Trustee or the appropriate Paying Agent or Paying Agents on the Redemption Date, such notice of redemption shall be cancelled and be without effect and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding. The Trustee shall, within two business days after the proposed Redemption Date, give notice, in the manner in which the notice of redemption was given, that such conditions were not satisfied.

ARTICLE VII

PARTICULAR COVENANTS

THDA covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 7.1. Performance. THDA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of THDA under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

Section 7.2. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of THDA, shall be within every debt and other limit prescribed by law.

Section 7.3. Power to Issue Bonds and Pledge Revenues, Funds and Other Property. THDA is duly authorized under all applicable laws to authorize and issue the Bonds and to enter into, execute and deliver this Resolution and to pledge the assets and revenues purported to be pledged hereby in the manner and to the extent herein provided. The assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate or other action on the part of THDA to that end has been and will be duly and validly taken. The Bonds and the provisions

of this Resolution are and will be the valid and legally enforceable obligations of THDA in accordance with their terms and the terms of this Resolution. THDA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under this Resolution, and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 7.4. Payment of Bonds. THDA shall duly and punctually pay or cause to be paid, as herein provided, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 7.5. Extension of Payment of Bonds. THDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon and in the event that the maturity of any of the Bonds or the time for payment of interest thereon shall be extended, such Bonds, shall not be entitled to the benefit of this Resolution or to any payment out of the Funds established pursuant to this Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extension. Nothing herein shall be deemed to limit the right of THDA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.6. Offices for Servicing Bonds. THDA shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon THDA in respect of the Bonds or of this Resolution may be served. The Trustee shall maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon THDA. THDA may appoint one or more additional or other Paying Agents as its respective agents to maintain such offices or agencies for the payment of the Bonds of any particular Series and maturity.

Section 7.7. Further Assurance. At any and all times THDA shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which THDA may become bound to pledge or assign.

Section 7.8. Waiver of Laws. THDA shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law not or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by THDA.

Section 7.9. Tax Covenants.

(A) Subject to subsection (C) of this Section, THDA shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(B) THDA shall not permit at any time or times any of the proceeds of the Bonds or any other funds of THDA to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code.

(C) Notwithstanding the foregoing, THDA hereby reserves right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this Section shall not apply to such Bonds.

Section 7.10. Accounts and Reports.

(A) THDA shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Program Loans and all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) THDA shall annually, within 210 days after the close of each Fiscal Year, file with the Trustee a copy of the financial statements of THDA for such Fiscal Year, setting forth in reasonable detail:

(1) the balance sheet for THDA and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year;

(2) a statement of THDA's revenues and expenses in accordance with the categories or classifications established by THDA for its operating and program purposes and showing the revenues and expenses of the Program during such Fiscal Year; and

(3) a statement of changes in financial position, including changes in financial position of the Program, as of the end of such Fiscal Year.

The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(C) If at any time during any Fiscal Year there shall have occurred an Event of Default, then THDA shall file with the Trustee, within forty-five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

(D) Any such financial statements may be presented on a consolidated or combined basis with other reports of THDA, but only to the extent that such basis of reporting shall be consistent with that required under subsection (B) of this Section.

(E) A copy of each annual Projected Cash Flow Statement prepared in accordance with Section 7.11 hereof and any special report filed pursuant to subsection (C) of this Section and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Section 7.11. Periodic Delivery of Projected Cash Flow Statement.

(A) THDA shall file a Projected Cash Flow Statement with the Trustee (i) whenever Bonds are issued pursuant to Section 2.6, (ii) on or within thirty (30) days after THDA's filing of its financial statements as provided in Section 7.10(B), if a Projected Cash Flow Statement has not been filed within the prior year and (iii) at such other times as required by this Resolution or as may be required by a Supplemental Resolution.

(B) A Projected Cash Flow Statement shall set forth projected Revenues, Program Expenses and interest payments and Principal Installments for each year during which Bonds will be Outstanding based upon the reasonable expectations of THDA at the time such Certificate is filed. A Projected Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon THDA's reasonable expectations at the time such Projected Cash Flow Statement is filed. The listing of Revenues from Program Loans and Investment Securities shall be supported by a schedule identifying the Program Loans and Investment Securities by maturity and interest rate, including Program Loans expected to be financed with amounts in the Loan Fund.

(C) A Projected Cash Flow Statement shall be considered to comply with this subsection if such Statement shows that (i) the estimated Revenues for each annual period in which Bonds will be Outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to this Resolution), will be sufficient for the payment of the estimated Debt Service and Program Expenses for such annual period, and (ii) the total assets (consisting of cash and investments, valued as provided herein, and the principal balance of Program Loans) held hereunder equal to or exceed the total liabilities of all Bonds Outstanding hereunder for each such annual period.

Section 7.12. The Program.

(A) THDA shall from time to time with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of this Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program,

to finance Program Loans pursuant to the Act and this Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Program Loans and, if not inconsistent with sound banking practices and principles, consent to modification of repayment terms of the Program Loans), sufficient to pay the expenses of the Program and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to protect its rights with respect to or to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans including the collection, custody and prompt application of all escrow payments required by the terms of a Program Loan for the purposes for which they were made.

(B) Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, THDA shall commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof and may otherwise take possession of or acquire such premises.

(C) THDA may at any time sell, assign or otherwise dispose of a Program Loan (or the premises to which such Program Loan related) or a Program Security:

(1) in the case of a Program Loan, in the event that payment under such Program Loan is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds the debt service on which is equivalent to the payments on the Program Loan; or

(3) a Projected Cash Flow Statement shall be filed with the Trustee which gives effect to the proposed sale thereof and complies with the conditions set forth in subsection 7.11(C).

Section 7.13. Personnel and Servicing of Programs.

(A) THDA shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Act and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by THDA shall be qualified for their respective positions.

(B) THDA may pay to any agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for THDA.

(C) THDA shall duly and properly service all Program Loans and enforce the payment and collection of all payments of principal and interest and all Escrow Payments or shall cause such servicing and/or enforcing to be done by a servicer evidencing, in the judgment of THDA, the capability and experience necessary to adequately service Program Loans. Each such servicer shall enter into a servicing agreement providing that:

(1) all amounts received by such servicer, except as compensation for its services, shall be promptly transferred to the Trustee subject to and in accordance with the provisions of this Resolution;

(2) such servicer shall at all times remain qualified to act as such pursuant to such standards as THDA shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Program Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in THDA’s sole discretion, and shall maintain individual files for each Program Loan serviced pursuant to the servicing agreement and provide regular reports to THDA as to collections and delinquencies with respect to all Program Loans serviced by such servicer.

Section 7.14. Issuance of Additional Obligations.

(A) THDA shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which, except as provided in Section 5.1(C) hereof, will be secured by a superior or equal charge and lien on the revenues and assets pledged hereunder, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds under this Resolution on a parity with the Bonds of such initial Series of Bonds and secured, except as provided in Section 5.1(C) hereof, by an equal charge and lien on the revenues and assets pledged hereunder and payable equally therefrom for one or more of the purposes set forth in Section 2.4.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under this Resolution unless an Authorized Officer shall have certified that:

(1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) upon the issuance and delivery of such additional Bonds, the amount credited to the Bond Reserve Fund is at least equal to the Bond Reserve Fund Requirement, as valued not more than five (5) Business Days prior to the date of issuance of such additional Bonds;

(3) the provisions of Section 2.6 or, in the case of Refunding Bonds, Section 2.7 shall have been complied with as of the date of delivery of such Series;

(4) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, THDA shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution; and

(5) upon the issuance of such Series and application of the proceeds thereof in accordance with Article IV hereof, the amount of Program Loans and Investment Securities credited to all Funds and Accounts hereunder, other than the Redemption Account, when valued in accordance with this Resolution, will be equal to the principal amount of Outstanding Bonds, including the Bonds thereupon being issued.

(C) THDA hereby expressly reserves the right to enter into or adopt one or more additional indentures or resolutions for its purposes, including the purposes of the Program, and reserves the right to issue other obligations for such purposes.

Section 7.15. Bond Reserve Fund.

(A) THDA shall at all times maintain the Bond Reserve Fund created and established by Section 5.1 and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of THDA or the Trustee or the Paying Agents under the terms and provisions of Article V hereof. It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

(B) Notwithstanding any other provisions of this Resolution the Trustee shall not permit amounts to be withdrawn from the Bond Reserve Fund other than pursuant to subsection 5.4(A) unless there shall have been filed with the Trustee a Certificate of an Authorized Officer stating that such amounts are not required to be retained therein to provide funds for the payment of Principal Installments or interest on Outstanding Bonds when due.

Section 7.16. Assignment of Program Loans Upon Default. Upon the happening of an Event of Default specified in Section 10.2 and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA shall deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee. If, however, the Trustee and the Bondholders are restored to their positions in accordance with Section 10.4, the Trustee shall assign such Program Loans back to THDA.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.1. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of THDA may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of THDA in this Resolution other covenants and agreements to be observed by THDA which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by THDA which are not contrary to or inconsistent with this Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon THDA by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of THDA contained in this Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues and Non-Mortgage Receipts or of any other revenues or assets;

(6) to accommodate the conversion of the Program to the purchase of Program Securities in addition to or in lieu of Program Loans;

(7) to modify any of the provisions of this Resolution in any respect whatever, but only if either (i) such modification shall not materially adversely affect the interest of the Bondholders (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondholders) or (ii) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding; or and, with respect to (ii) above, such modification is disclosed in any offering documents of THDA for Bonds issued subsequent to the date of adoption of the Supplemental Resolution; or

(8) to authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued.

Section 8.2. Supplemental Resolutions Effective Upon Consent of Trustee.

(A) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and THDA of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee in connection with the Program Loans.

(B) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 8.3. Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX.

Section 8.4. General Provisions.

(A) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of THDA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.7 or the right or obligation of THDA to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Resolution.

(B) Any Supplemental Resolution permitted or authorized by Section 8.1 or 8.2 may be adopted by THDA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon THDA.

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.1, 8.2 or 8.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(D) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

Section 9.1. Mailing and Publication of Notice of Amendment. Any provision in this Article for the mailing of a notice to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of THDA and (ii) to the Trustee.

Section 9.2. Powers of Amendment. Any modification of or amendment to this Resolution and of the rights and obligations of THDA and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3, with the written consent given as provided in Section 9.3, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its

written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on THDA and all holders of Bonds.

Section 9.3. Consent of Bondholders.

(A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 or 8.2 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed, by first class mail postage prepaid, by THDA to the holders of any registered Bond. Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 9.2 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by THDA in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon THDA and enforceable in accordance with its terms.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14. A Certificate by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.14. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with THDA and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by THDA on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by THDA by mailing such notice to the Bondholders, first class mail, postage prepaid, (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). THDA shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon THDA, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period, except that any Fiduciary and THDA during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 9.4. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of THDA and of the holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by THDA of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of THDA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and THDA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, THDA shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by THDA and the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If THDA or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and THDA shall be prepared, executed, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity, then Outstanding, upon surrender of such Bonds. All Bonds surrendered in such an exchange shall be cancelled by the Trustee.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is hereby declared an “Event of Default”:

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise shall not be made when and as the same shall become due; or

(2) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or

(3) THDA shall fail or refuse to comply with the provisions of this Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Section 10.2. Remedies.

(A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1 the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to acceleration of the Bonds pursuant to clause (5) below) shall proceed, in its own name, subject to the provisions of Section 11.3, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues and Non-Mortgage Receipts adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from THDA for principal, Redemption Price, interest or otherwise, under any provisions of this Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against THDA for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Non-Mortgage Receipts and of the assets of THDA relating to the Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default.

(A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, subject to Section 10.11, hereof as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of

principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to THDA, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case THDA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction

Section 10.6. Limitation on Rights of Bondholders.

(A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or by law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section, or any other provision of this Resolution, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party

litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Resolution.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Resolution to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal of or Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee and, (ii) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee.

(A) The Bond Finance Committee of THDA has been delegated the responsibility for choosing the initial Trustee pursuant to this Resolution. The Trustee shall signify its acceptance of the duties and obligations of the Trustee by executing a written acceptance of its obligations under this Resolution.

(B) The Trustee is hereby vested with all of the rights, powers and duties of a Trustee permitted to be appointed by Bondholders pursuant to the Act and the right of Bondholders to appoint a trustee pursuant to the Act is hereby abrogated as permitted by the Act.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents.

(A) THDA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent.

(B) Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by a written instrument of acceptance executed and delivered to THDA and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of THDA for the payment of the Bonds.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of THDA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to THDA. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to THDA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to THDA, the holders of any of the Bonds or any other person for any act or omission done or omitted to be done by such Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Resolution or for any act or omission done or omitted in good faith and without willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by THDA to any Fiduciary shall be sufficiently executed if executed in the name of THDA by an Authorized Officer.

Section 11.5. Compensation. THDA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees (whether or not litigation ensued and, if so, fees on trial and any appeal therefrom) and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under this Resolution. THDA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds issued hereunder with the same rights it would have if it were not a Fiduciary. Any Fiduciary may permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may participate as a lender under the Program and may sell Program Loans to THDA. Except as otherwise provided by THDA, no Fiduciary may act as an underwriter with respect to the issuance of any Bonds.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to THDA, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 11.8. Removal of Trustee. The Trustee shall be removed by THDA if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and THDA and signed by the holders of a majority

in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of THDA by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, THDA covenants and agrees that it will thereupon appoint a successor Trustee.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to THDA written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least $100,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to THDA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of THDA, or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from THDA be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by THDA. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Resolution shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Resolution as Trustee.

Section 11.11. Merger, Consolidation or Sale. Any company into which any Fiduciary or its trust department may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of authentication of the Trustee shall have.

Section 11.13. Resignation or Removal of the Paying Agent and Appointment of Successor.

(A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to THDA and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent, and the Trustee and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by THDA and (subject to the requirements of Section 7.6) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least $25,000,000, and willing and able to accept the office of Paying Agent, on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds.

(A) Any request, consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable:

(1) the fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) the amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a Certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depositary or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depositary the Bonds described in such Certificate. Continued ownership after the date stated in such Certificate may be proved by the presentation of such Certificate if the Certificate contains a statement by such officer that the depositary held the Bonds therein referred to on the date of the Certificate and that they will not be surrendered without the surrender of the Certificate to the depositary, except with the consent of the Trustee, and a Certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by THDA or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of this Resolution or any Supplemental Resolution (or microfilm, microcard or similar photographic or scanned reproduction thereof) shall be retained in its possession and shall be subject at all reasonable times to the inspection of THDA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

ARTICLE XII

DEFEASANCE
MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance.

(A) If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of THDA, execute and deliver to THDA all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to THDA all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If THDA shall pay or cause to be paid, or there shall otherwise be paid, to the holders of any Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of THDA to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) Bonds and interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) shall, at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, THDA shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on such Bonds; but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this Section, Investment Securities mean and include only direct and general obligations of the State or obligations guaranteed by the State or such obligations as are described in clause (1) of the definition of Investment Securities herein.

(C) If, through the deposit of moneys by THDA or otherwise, the Fiduciaries shall hold, pursuant to this Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which THDA shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of THDA all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or the redemption of such Outstanding Bonds. If all or a portion of the moneys made available to pay the principal of and interest on Outstanding Bonds at maturity or prior redemption shall have been derived from the issuance of refunding obligations of THDA, upon the written direction of THDA, the Fiduciaries shall reallocate or transfer all moneys, securities, Program Loans or Program Securities as shall be required by operation of the transferred proceeds provisions of the Code.

(D) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Bonds which remain unclaimed for five years (or such other period of time required by abandoned property laws of the State) after the date when all of such principal or interest, as the case may be, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years (or such other period of time required by abandoned property laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, to the extent required by State law, be paid by the Fiduciary to the State Treasurer or other appropriate official free from trust, and otherwise at the written request of THDA, be repaid by the Fiduciary to THDA, as its absolute property and free from trust, and, in either such case, the Fiduciary shall thereupon be released and discharged.

Section 12.2. Notice by Electronic Means. Any notice, direction or other communication given hereunder from THDA to the Rating Agencies or any Fiduciary or from any Fiduciary to THDA or the Rating Agencies, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation or delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Time, and otherwise on the next business day.

Section 12.3. Notices to Rating Agencies. To the extent not otherwise provided herein, the Trustee shall provide written notice to the Rating Agencies of any of the following occurrences: (i) the defeasance or discharge of this Resolution within the meaning of Section 12.1 hereof, (ii) the downgrade of the provider of any Investment Security described in paragraph (3) or (7) of the definition thereof below the rating requirement included in such paragraphs and the substitution of any provider thereof; (iii) the resignation or removal of the Trustee, (iv) the appointment of a successor Trustee, and (v) any amendment of this Resolution or any Supplemental Resolution.

Section 12.4. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of THDA contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of THDA and not of any officer or employee of THDA in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any member, officer or employee of THDA or any natural person executing the Bonds.

Section 12.5. Security Instrument. A certified copy of this Resolution, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Tennessee.

Section 12.6. Effective Date. This Resolution shall take effect immediately.

APPENDIX E

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Outstanding as of August 31, 2014 (unaudited)	Original Net Interest Cost[(1)]
2009-A	December 23, 2009	$100,000,000	--	$ 70,055,000	3.96%
2010-A/2009-B-1	June 17, 2010	74,710,000	$ 85,290,000	109,800,000	3.85
2010-B/2009-B-2	November 10, 2010	40,000,000	60,000,000	80,490,000	3.15
2011-A/2009-B-3	April 14, 2011	40,000,000	60,000,000	76,340,000	3.70
2011-B/2009-B-4	August 25, 2011	40,000,000	60,000,000	86,715,000	3.01
2011-C/2009-B-5	November 3, 2011	65,290,000	34,710,000	88,750,000	3.01
TOTAL		$360,000,000	$300,000,000	$512,150,000	

(1) Bond yield.

As of August 31, 2014, 5,171 mortgage loans in the approximate aggregate principal amount of $492,486,222 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds, and will be available for the general purposes of THDA only as provided in the 2009 General Resolution).

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General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,147,067,000 total original principal amount of Bonds under the 1985 General Resolution, which were outstanding as shown on the table below:

Issue of Bonds	Dated	Issued	Outstanding as of August 31, 2014 (unaudited)	Original Net Interest Cost[1]
2005-1	July 28, 2005	100,000,000	$ 34,485,000	4.33
2005-2	November 17, 2005	100,000,000	31,805,000	4.61
2006-1	April 27, 2006	100,000,000	29,145,000	4.66
2006-2	July 27, 2006	100,000,000	27,455,000	4.86
2006-3	October 31, 2006	100,000,000	37,475,000	4.58
2007-1	March 13, 2007	100,000,000	40,905,000	4.49
2007-2	June 6, 2007	120,000,000	51,510,000	4.53
2007-3	August 7, 2007	150,000,000	61,845,000	4.77
2007-4	October 30, 2007	150,000,000	68,875,000	4.79
2008-1	May 29, 2008	60,000,000	25,820,000	4.93
2008-2	August 7, 2008	50,000,000	360,000	4.41
2008-3	September 30, 2008	90,000,000	30,460,000	5.00
2009-1	June 11, 2009	50,000,000	30,990,000	4.39
2009-2	September 30, 2009	75,000,000	46,195,000	4.06
2010-1	October 13, 2010	120,700,000	70,305,000	3.57
2011-1	December 1, 2011	141,255,000	105,050,000	3.80
2012-1	July 19, 2012	133,110,000	113,810,000	3.26
2012-2	November 15, 2012	97,625,000	89,175,000	2.92
TOTAL		$1,837,690,000	$895,665,000	

(1) Bond yield.

As of August 31, 2014, 12,985 mortgage loans in the approximate aggregate principal amount of $947,889,625 were outstanding under the 1985 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1985 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1985 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1985 General Resolution.

Housing Bond Resolution (Mortgage Finance Program)(the "1974 General Resolution")

All bonds then outstanding under the 1974 General Resolution were refunded by the Issue 2013-1 Bonds issued under the General Resolution. All assets, including mortgage loans, cash, and investments valued as of June 30, 2014, then remaining under the 1974 General Resolution were transferred to the General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX G

RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES

General

The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. No assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

All Program Loans to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described below. The Issue 2014-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the "Code"). The limits vary from county to county and are periodically adjusted.

THDA's current income limits range from $54,600 to $89,600 depending on household size and geographic location. THDA's income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA's acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA's actual data which justifies a higher limit. THDA's current maximum acquisition cost limits are either $240,000 or $275,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA's Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf ("Originating Agents"). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a "first-come, first-serve" basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, up to 2% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and credit unions. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the “Borrower Affidavit”) and of the seller (the “Seller Affidavit”) and on examination of copies of the borrower’s most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year’s debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower’s application, the Application Affidavit, the Seller Affidavit, and the borrower’s federal income tax returns, for compliance with the

Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions to service THDA Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms or commercial banks. THDA may also service Program Loans. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval. THDA Servicers currently are U.S. Bank and Magna Bank.

THDA requires regular reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Single Family Programs and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

APPENDIX H

November 20, 2014

Tennessee Housing Development Agency
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, TN 37243-0200

Tennessee Housing Development Agency
Residential Finance Program Bonds
$27,885,000 Issue 2014-2A (AMT)
$5,070,000 Issue 2014-2B (Non-AMT)
$117,045,000 Issue 2014-2C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $27,885,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2014-2A (AMT) (the "Issue 2014-2A Bonds"), $5,070,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2014-2B (Non-AMT) (the "Issue 2014-2B Bonds") and $117,045,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2014-2C (Non-AMT) (the "Issue 2014-2C Bonds" and, together with the Issue 2014-2A Bonds and the Issue 2014-2B Bonds, the "Issue 2014-2 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2014-2 Bonds were authorized to be issued pursuant to the Act, the General Residential Finance Program Bond Resolution of THDA, adopted January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 29, 2014, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on October 15, 2014 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2014-2 Bonds (collectively, the "Residential Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2014-2 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2014-2 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2014-2 Bonds in order that interest on the Issue 2014-2 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2014-2 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2014-2 Bonds are valid and legally binding special, limited obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Residential Finance Program Bonds, including the Issue 2014-2 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2014-2 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2014-2 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2014-2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2014-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2014-2B Bonds and the Issue 2014-2C Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iv) interest on the Issue 2014-2B Bonds <u>will be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (v) interest on the Issue 2014-2C Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2014-2 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2014-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2014-2 Bonds may have to take interest on such Issue 2014-2 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2014-2 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2014-2 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2014-2 Bonds.

Very truly yours,

APPENDIX I

HISTORIC DELINQUENCIES AND FORECLOSURES*

Delinquencies and Foreclosures as of June 30, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.45%, based on a total of 5,621 Program Loans as of June 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	69	$4,588,912	1.23%	1.42%(4)
VA Guaranteed	2	187,584	0.04	0.90
Privately Insured	2	102,851	0.04	0.56
USDA/RD Guaranteed	8	357,315	0.14	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	81	$5,236,662(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.53%, based on a total of 5,621 Program Loans as of June 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	171	$10,164,516	3.04%	3.80%(4)
VA Guaranteed	6	371,804	0.11	2.44
Privately Insured	6	371,946	0.11	1.10
USDA/RD Guaranteed	13	776,805	0.23	(5)
Uninsured	2	72,367	0.04	(5)
TOTAL	198	$11,757,438(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data includes Program Loans transferred to the General Resolution in connection with prior Bond issuances and Program Loans financed with the proceeds of prior Bonds issuances under the General Resolution. The delinquency and foreclosure data also includes data regarding 1974 General Resolution Transferred Loans transferred to the General Resolution. The delinquency and foreclosure data does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall rate of Program Loans in foreclosure was 1.13%, based on a total of 5,621 Program Loans as of June 30, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2014, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	53	$3,367,450	0.94%	1.91%(4)
VA Guaranteed	3	193,904	0.05	1.19
Privately Insured	5	276,914	0.09	0.52
USDA/RD Guaranteed	3	160,026	0.05	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	64	$3,998,294(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 0.95%, based on a total of 3,917 Program Loans as of March 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	30	$2,063,780	0.77%	1.37%(4)
VA Guaranteed	2	190,107	0.05	0.88
Privately Insured	2	182,841	0.05	0.52
USDA/RD Guaranteed	3	273,249	0.08	(5)
Uninsured	0	0	0.00	(5)
TOTAL	37	$2,709,977(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.33%, based on a total of 3,917 Program Loans as of March 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	78	$4,928,750	1.99%	3.97%[4]
VA Guaranteed	2	200,276	0.05	2.49
Privately Insured	5	460,499	0.13	1.11
USDA/RD Guaranteed	5	467,458	0.13	[5]
Uninsured	1	59,154	0.03	[5]
TOTAL	91	$6,116,137[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.20%, based on a total of 3,917 Program Loans as of March 31, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of March 31, 2014 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2014, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	42	$2,461,925	1.07%	1.96%[4]
VA Guaranteed	1	38,722	0.03	1.20
Privately Insured	2	119,385	0.05	0.55
USDA/RD Guaranteed	2	131,695	0.05	[5]
Uninsured	0	0.00	0.00	[5]
TOTAL	47	$2,751,727[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2013

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.27%, based on a total of 3,222 Program Loans as of December 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2013

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	34	$2,285,229	1.06%	2.00%[4]
VA Guaranteed	0	0	0.00	1.09
Privately Insured	2	93,095	0.06	0.62
USDA/RD Guaranteed.........	4	360,679	0.12	(5)
Uninsured..........................	1	80,065	0.03	(5)
TOTAL	41	$2,819,069[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.14%, based on a total of 3,222 Program Loans as of December 31, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2013

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	59	$3,220,099	1.83%	4.06%[4]
VA Guaranteed	1	38,722	0.03	2.56
Privately Insured	5	457,840	0.16	1.12
USDA/RD Guaranteed.........	4	228,879	0.12	(5)
Uninsured..........................	0	0	0.00	(5)
TOTAL	69	$3,945,541[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.45%, based on a total of 3,222 Program Loans as of December 31, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2013, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	42	$2,001,773	1.30%	2.14%[4]
VA Guaranteed	1	56,536	0.03	1.32
Privately Insured	2	207,271	0.06	0.65
USDA/RD Guaranteed	2	143,988	0.06	(5)
Uninsured	0	0	0.00	(5)
TOTAL	47	$2,409,569[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2013

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.78%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2013, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	39	$2,518,169	1.44%	2.01%[4]
VA Guaranteed	0	0	0.00	1.11
Privately Insured	1	83,133	0.04	0.65
USDA/RD Guaranteed	6	566,696	0.22	(5)
Uninsured	2	162,107	0.07	(5)
TOTAL	48	$3,330,105[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2013.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.55%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2013 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2013, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	64	$3,120,240	2.37%	4.21%[4]
VA Guaranteed	1	38,722	0.04	2.52
Privately Insured	2	221,842	0.07	1.16
USDA/RD Guaranteed	2	75,435	0.07	(5)
Uninsured	0	0	0.00	(5)
TOTAL	69	$3,456,239[2]		

(1) Rounded figures.
(2) Rounded total,
(3) MBA data for Tennessee for the quarter ending September 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.63%, based on a total of 2,704 Program Loans as of September 30, 2013 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2013 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2013, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2013

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	36	$1,841,277	1.33%	2.16%[4]
VA Guaranteed	2	163,317	0.07	1.31
Privately Insured	2	207,271	0.07	0.69
USDA/RD Guaranteed	4	279,643	0.15	(5)
Uninsured	0	0	0.00	(5)
TOTAL	44	$2,491,507[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2013.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Tennessee Housing
Development Agency

Leading Tennessee Home

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, (i) interest on the Issue 2015-A Bonds (the "Issue 2015-A Bonds" or , the "Offered Bonds") is excluded from gross income of the owners thereof for federal income tax purposes and (ii) interest on the Offered Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations and is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Offered Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Housing Finance Program Bonds
$163,850,000 Issue 2015-A (Non-AMT)

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2015-A Bonds are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix F "BOOK-ENTRY-ONLY SYSTEM." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on January 1, 2016, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein. The Record Date for payment of interest on the Offered Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

The Offered Bonds are subject to redemption prior to their stated maturities at the times, at the redemption prices and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are special limited obligations of the Tennessee Housing Development Agency ("THDA") payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about May 28, 2015.

RBC CAPITAL MARKETS

CITIGROUP **RAYMOND JAMES**

FTN FINANCIAL CAPITAL MARKETS **J.P. MORGAN**

WELLS FARGO SECURITIES **WILEY BROS.—AINTREE CAPITAL, LLC**

April 29, 2015

TENNESSEE HOUSING DEVELOPMENT AGENCY
HOUSING FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$163,850,000 Issue 2015-A (Non-AMT)

$53,970,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2016	$ 165,000	0.30%	88045RZQ8	$ 165,000	0.40%	88045RZR6
2017	180,000	0.75	88045RZS4	180,000	0.85	88045RZT2
2018	180,000	1.15	88045RZU9	180,000	1.25	88045RZV7
2019	190,000	1.50	88045RZW5	190,000	1.60	88045RZX3
2020	190,000	1.70	88045RZY1	2,385,000	1.80	88045RZZ8
2021	2,410,000	2.05	88045RA28	2,455,000	2.15	88045RA36
2022	2,490,000	2.25	88045RA44	2,520,000	2.35	88045RA51
2023	2,550,000	2.55	88045RA69	2,585,000	2.60	88045RA77
2024	2,620,000	2.70	88045RA85	2,660,000	2.75	88045RA93
2025	2,705,000	2.80	88045RB27	2,765,000	2.80	88045RB35
2026	2,815,000	2.95	88045RB43	2,870,000	2.95	88045RB50
2027	2,930,000	3.10	88045RB84	2,990,000	3.10	88045RB92
2028	3,055,000	3.25	88045RC26	3,115,000	3.25	88045RC34
2029	3,180,000	3.40	88045RC42	3,250,000	3.40	88045RC59

$109,880,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
July 1, 2031	$13,695,000	3.55%	88045RC67
January 1, 2035	27,065,000	3.85	88045RB68
July 1, 2045 (PAC)	69,120,000	3.50	88045RB76

PRICE OF ISSUE 2015-A BONDS MATURING ON JULY 1, 2045: 106.461%

PRICE OF ALL OTHER OFFERED BONDS: 100%

(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CSG ADVISORS INCORPORATED
Financial Advisor

OFFICIAL STATEMENT
TENNESSEE HOUSING DEVELOPMENT AGENCY
Housing Finance Program Bonds
$163,850,000 Issue 2015-A (Non-AMT)

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Housing Finance Program Bonds, Issue 2015-A Bonds in the aggregate principal amount of $163,850,000 (the "Issue 2015-A Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Issue 2015-A Bonds is authorized by the General Housing Finance Resolution, adopted by THDA on November 19, 2009, as amended and supplemented (the "General Resolution") and by a resolution adopted by THDA on March 24, 2015, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on April 29, 2015 (the "Issue 2015-A Supplemental Resolution"). The General Resolution and the Issue 2015-A Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to the Bonds on March 23, 2015.

The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of February 28, 2015 (unaudited), Bonds in the aggregate principal amount of $479,430,000 were outstanding under the General Resolution, bonds in the aggregate principal amount of $787,835,000 were outstanding under THDA's Homeownership Program Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $596,375,000 were outstanding under THDA's Residential Finance Program Resolution (the "2013 General Resolution"). As of February 28, 2015, no bonds were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution").

Bonds issued under the General Resolution, including the Offered Bonds, are and will be special limited obligations of THDA, payable solely from the revenues and assets of THDA pledged under the General Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the General Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". All bonds issued under the General Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

The revenues and assets of THDA pledged under the General Resolution are not pledged as security for bonds under the 1974 General Resolution, the 1985 General Resolution, or the 2013 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution, the 1985 General Resolution, and the 2013 General Resolution, respectively, are not pledged as security for Bonds issued under the General Resolution including the Offered Bonds. See Appendix E for descriptions of the 1974 General Resolution, the 1985 General Resolution, and the 2013 General Resolution.

THDA may, in the future, elect to issue bonds under the General Resolution or under the 1974 General Resolution, the 1985 General Resolution and/or the 2013 General Resolution. Since the adoption of the 2013 General Resolution, substantially all of THDA's new mortgage loan production has been financed with bonds issued under the 2013 General Resolution. No assurances can be given as to whether THDA may elect to issue bonds under any one of the referenced general resolutions in the future or which of the referenced general resolutions may be selected. Any mortgage loans and investments financed with the proceeds of any new bonds issued under any of the referenced general resolutions, except for the General Resolution, and the revenues therefrom will not be pledged to the payment of Bonds under the General Resolution, including the Offered Bonds.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

All Program Loans, or participations therein, to be financed under the General Resolution will be made in accordance with the then existing Program Loan Procedures of THDA. The current Program Loan Procedures are described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State.

THDA expects to use a portion of the proceeds from the issuance of the Offered Bonds to refund all outstanding Housing Finance Program Bonds, Issue 2009-A2, Issue 2009-B, Subseries B-1 and Issue 2009-B, Subseries B-3 (the "Prior Bonds"). As a result of the refunding, mortgage loans in an expected aggregate outstanding amount of approximately $148,622,267 (the "Transferred Program Loans") and other investments in the projected amount of approximately $4,817,448, including investments on deposit in the Bond Reserve Fund (the "Transferred Investments"), currently allocated to the Prior Bonds will be re-allocated to the Offered Bonds. See "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS" for information about the Transferred Program Loans. It is anticipated that the Prior Bonds will be redeemed prior to maturity on June 1, 2015, at a redemption price of 100% of the principal amount thereof plus accrued interest. No assurance can be provided that the Prior Bonds will be refunded or that all of them will be refunded, a determination as to which will be made at the time of sale of the Offered Bonds based on market conditions and other factors.

THDA expects that the balance of the proceeds of the Offered Bonds will be used to finance participation interests in Program Loans under the General Resolution or in mortgage loans financed, in part, with moneys available under other general resolutions of THDA or to finance Program Loans at 0% interest. See "APPLICATION OF BOND PROCEEDS." The terms and conditions of Program Loans, including Program Loans that include amounts made available by the issuance of the Offered Bonds, are described herein under the caption "HOUSING FINANCE PROGRAM LOANS – Description of Housing Finance Program Loans" and in Appendix G.

As used herein, the term "Program Loans" refers to all mortgage loans (including participations therein) financed under the General Resolution, including the Transferred Program Loans and mortgage loans (including participations therein) to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (including participations therein) financed with the proceeds of the Offered Bonds.

Currently, THDA's Program Loan portfolio under the General Resolution includes only first-lien, fixed-interest-rate, single-family Program Loans with equal monthly installments of principal and interest. As of February 28, 2015 (unaudited), 4,896 Program Loans were outstanding under the General Resolution having an aggregate outstanding principal balance of approximately $460,570,272. Based on the outstanding principal balance of Program Loans as of February 28, 2015, approximately 95.45% were FHA insured, approximately 0.75% were VA guaranteed, approximately 0.09% were insured by private mortgage insurance companies, approximately 2.77% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 0.96% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "HOUSING FINANCE PROGRAM LOANS – Housing Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Offered Bonds, and certain provisions of the Act, the General Resolution, the Issue 2015-A Supplemental Resolution and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Issue 2015-A Supplemental Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee. The General Resolution is attached hereto as Appendix D "2009 GENERAL RESOLUTION". **Certain capitalized terms utilized herein are defined in Appendix D hereto.**

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix F "BOOK-ENTRY-ONLY SYSTEM" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2015-A Bonds and is payable on January 1, 2016, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2015-A Bonds maturing on July 1, 2031, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2030, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-A
Term Bonds Due July 1, 2031

Year	Amount Due January 1	Amount Due July 1
2030	$3,320,000	$3,390,000
2031	3,455,000	3,530,000 (maturity)

The Issue 2015-A Bonds maturing on January 1, 2035, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2032, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-A
Term Bonds Due January 1, 2035

Year	Amount Due January 1	Amount Due July 1
2032	$3,615,000	$3,700,000
2033	3,785,000	3,870,000
2034	3,960,000	4,050,000
2035	4,085,000 (maturity)	

The Issue 2015-A Bonds maturing on July 1, 2045, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2020, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-A
PAC Term Bonds Due July 1, 2045

Year	Amount Due January 1	Amount Due July 1
2020		$ 35,000
2021	$ 45,000	55,000
2022	65,000	75,000
2023	85,000	95,000
2024	105,000	115,000
2025	125,000	135,000
2026	145,000	155,000
2027	165,000	175,000
2028	185,000	195,000
2029	205,000	215,000
2030	225,000	235,000
2031	245,000	255,000
2032	265,000	275,000
2033	285,000	295,000
2034	305,000	315,000
2035	385,000	4,590,000
2036	4,700,000	4,820,000
2037	4,940,000	5,060,000
2038	5,185,000	5,315,000
2039	5,445,000	5,585,000
2040	5,720,000	5,335,000
2041	3,575,000	380,000
2042	395,000	405,000
2043	410,000	420,000
2044	420,000	355,000
2045	305,000	300,000 (maturity)

Optional Redemption. The Issue 2015-A Bonds maturing on and after July 1, 2025 (other than Issue 2015-A PAC Bonds described below), are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2025, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The Issue 2015-A PAC Bonds maturing on July 1, 2045, are subject to redemption at the option of THDA prior to their maturity, either as a whole or in part, at any time on or after January 1, 2025, at the Redemption Prices set forth below (expressed as a percentage of the principal amount to be redeemed) plus accrued interest to the date of redemption:

Redemption Period	Redemption Price
January 1, 2025 to June 30 2025	101.274%
July 1, 2025 to December 31, 2025	100.963%
January 1, 2026 to June 30, 2026	100.693%
July 1, 2026 and thereafter	100.000%

Special Mandatory Redemption of Issue 2015-A PAC Bonds. The Issue 2015-A PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Issue 2015-A PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2015-A Principal Payments (as defined below). Any Excess 2015-A Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Issue 2015-A PAC Bonds on any Interest Payment Date commencing January 1, 2016; provided, however, Issue 2015-A PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2015-A PAC Bonds remain Outstanding, Excess 2015-A Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of Issue 2015-A PAC Bonds"), as determined by THDA, then available Excess 2015-A Principal Payments shall first be applied to redeem Issue 2015-A PAC Bonds up to an amount correlating to the Planned Amortization Amount (as defined below) for Issue 2015-A PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the Issue 2015-A PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2015-A Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) shall first be applied to redeem Issue 2015-A PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "--*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the Issue 2015-A PAC Bonds (any such remainder used to redeem Issue 2015-A PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2015-A Principal Payments which is in excess of 400% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the then Outstanding PAC Bonds' proportionate amount of all Issue 2015-A Bonds then Outstanding.

"Excess 2015-A Principal Payments" means, as of any date of computation, the sum of (i) 100% of all prepayments on Program Loans allocable to the Offered Bonds and (ii) regularly scheduled principal payments on the Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments are required to be applied to the payment of Offered Bonds as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Mandatory Redemption – 10 Year Rule" and are not otherwise required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the Issue 2015-A PAC Bonds assumed to be redeemed from Excess 2015-A Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 100% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of Issue 2015-A PAC Bonds" for a description of PSA prepayment rates.

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The Planned Amortization Amounts for the Issue 2015-A PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $148,622,267 with an approximate weighted average maturity of 295 months and weighted average interest rate of 5.27%, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 100% of the PSA prepayment rate), as of each payment date are set forth below:

Issue 2015-A PAC Bonds Amortization Schedule

Date	Planned Amortization Amount
January 1, 2016	$ 4,510,000
July 1, 2016	8,675,000
January 1, 2017	13,005,000
July 1, 2017	17,245,000
January 1, 2018	21,195,000
July 1, 2018	25,095,000
January 1, 2019	28,975,000
July 1, 2019	32,690,000
January 1, 2020	36,240,000
July 1, 2020	39,655,000
January 1, 2021	42,615,000
July 1, 2021	45,730,000
January 1, 2022	48,705,000
July 1, 2022	51,545,000
January 1, 2023	54,245,000
July 1, 2023	56,820,000
January 1, 2024	59,260,000
July 1, 2024	61,585,000
January 1, 2025	63,785,000
July 1, 2025	65,870,000
January 1, 2026	67,840,000
July 1, 2026	69,120,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent Issue 2015-A PAC Bonds are redeemed from amounts on deposit in the Issue 2015-A Bonds Subaccount of the Loan Fund not applied to finance Program Loans.

For a description of the impact on the weighted average life of the Issue 2015-A PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of Issue 2015-A PAC Bonds."

Special Redemption of the Offered Bonds, including Cross Calls. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans as described below under the heading "DESCRIPTION OF OFFERED BONDS – Redemption of Offered Bonds from Unexpended Proceeds"; (ii) except as otherwise described under the headings "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2015-A PAC Bonds", and " – Mandatory Redemption – 10 Year Rule", repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the, "Code"), (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement; provided, however, that the Issue 2015-A PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2015-A PAC Bonds" and (b) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of the Issue 2015-A PAC Bonds to exceed the Planned Amortization Amount shown above in the Issue 2015-A PAC Bonds Amortization Schedule. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2009

GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the Issue 2015-A PAC Bonds in the event of a redemption described in clause (i) of the preceding paragraph shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be so redeemed shall be selected by THDA in its sole discretion; provided, however, that the Issue 2015-A PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) of the preceding paragraph. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS – THDA Redemption Practices".

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds (including Sinking Fund Payments) or otherwise required to be applied to the redemption of the Issue 2015-A PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2015-A PAC Bonds," the Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the Issue 2015-A PAC Bonds may be redeemed in an amount that exceeds the Planned Amortization Amount shown above in the Issue 2015-A PAC Bonds Planned Amortization Schedule only if either (i) there are no other Offered Bonds outstanding or (ii) such redemption is an Excess Principal PAC Bond Redemption as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2015-A PAC Bonds."

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem Issue 2015-A PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
May 28, 2015	6.17%
December 23, 2019	30.50
June 17, 2020	63.67
April 14, 2021	90.68
May 28, 2025	100.00

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on January 1, 2016, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2015-A Bonds Subaccount of the Loan Fund on December 1, 2015, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2015-A Supplemental Resolution, including without limitation, provision of a Projected Cash Flow Statement.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Offered Bonds are subject to mandatory redemption on November 28, 2018, the extent any amounts remain on deposit in the Issue 2015-A Subaccount of the Loan Fund on October 28, 2018.

Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the Issue 2015-A PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the Issue 2015-A PAC Bonds may not be redeemed in an amount in excess of their proportionate amounts of all Offered Bonds then Outstanding.

Selection By Lot

If less than all of the Offered Bonds of like maturity are to be redeemed, the particular Offered Bonds of such maturity to be redeemed shall be selected by lot in accordance with the General Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Notice of redemption of Bonds shall be mailed by first class mail, postage prepaid (and by reputable overnight delivery service in the case of Bonds held by any securities depository), no less than twenty (20) days (or such shorter period as may be acceptable to DTC) before the redemption date, to the registered owners of any Bonds or portions thereof which are to be redeemed at their last addresses appearing upon the registry book. So long as DTC or its nominee is the registered owner of the Bonds, THDA shall not be responsible for mailing notices of redemption to Direct Participants or Indirect Participants or to the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry-Only System" for a discussion of DTC practices.

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APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Offered Bonds will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 163,850,000.00
Premium on Issue 2015-A PAC Bond	4,465,843.20
Transferred Program Loans	148,622,266.64
Transferred Investments	4,817,447.82
THDA Contribution	1,290,714.32
TOTAL SOURCES	$ 323,046,271.98
USES	
Deposit to Issue 2015-A Loan Fund[(1)]	$ 163,898,109.84
Redemption of Prior Bonds	153,040,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	100,000.00
Deposit to Bond Reserve Fund	4,817,447.82
Costs of Issuance	196,300.00
Underwriters' Fee	994,414.32
TOTAL USES	$ 323,046,271.98

(1) Includes $15,275,843.20 in proceeds from Issue 2015-A plus approximately $148,622,267 in Transferred Program Loans

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable solely from the revenues and assets of THDA pledged under the General Resolution. Subject only to the provisions of the General Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the General Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the General Resolution;

(c) All Funds and Accounts created by the General Resolution, including the Bond Reserve Fund, and monies and securities therein (see Appendix D "2009 GENERAL RESOLUTION"); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the General Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the General Resolution.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. THDA has established a Bond Reserve Fund for the Bonds and the General Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the "Bond Reserve Fund Requirement." The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each series of Bonds established in the Supplemental Resolution authorizing such series or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the date of issuance of the Offered Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, on any Interest Payment Date or Redemption Date, there is not a sufficient amount available in the Revenue Fund and the Redemption Fund, if applicable, to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the extent necessary to make good the deficiency.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds and other outstanding bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix D “2009 GENERAL RESOLUTION” for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

It is a condition to the issuance of the Offered Bonds that THDA shall have prepared and filed a Projected Cash Flow Statement (the “Projected Cash Flow Statement”). The Projected Cash Flow Statement will be based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $148,622,267, with a weighted average maturity of approximately 295 months and a weighted average interest rate of approximately 5.27%, will be allocated to the Offered Bonds and (ii) THDA originates approximately $15,275,843 of participations in Program Loans bearing interest at 0%.The maturities and Sinking Fund Payments for the Offered Bonds have been structured on the assumption that Program Loans will experience no prepayments and in accordance with the requirements of the 10 Year Rule, as defined herein. The Projected Cash Flow Statement shall evidence that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions to be used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on

Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

In particular, each Series of the Prior Bonds was issued with other Series of Bonds as part of a larger bond issuance, which other Series of Bonds will remain outstanding. The projected Cash Flow Statement includes the assumption that certain debt service payments with respect to such other Series of Bonds will be made with available excess revenues under the General Resolution.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2015-A Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. Although THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Choice Program Loans, New Start Program Loans, and Homeownership for the Brave Program Loans, THDA does not expect to use proceeds of the Offered Bonds to make New Start Program Loans. In addition, it is expected that THDA will use all or substantially all of the lendable proceeds from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, pursuant to which the portion of such Program Loans allocable to the Offered Bonds will bear interest at 0% in order to satisfy mortgage yield limitations of the Code. See "HOUSING FINANCE PROGRAM LOANS – Description of Housing Finance Program Loans" for descriptions of the various Program Loan products and Appendix G "HOUSING FINANCE PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2015-A Bonds will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest 0% and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans in connection with the sale of bonds by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds; however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans on a blended basis with proceeds of other bonds of THDA may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Offered Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from Offered Bonds will be fully expended for Program Loans.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

In recent years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have taken action in recent years against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix D "2009 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the General Resolution, the resolutions to be adopted in connection with other series of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2015-A PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "- Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution specifies, and the resolutions to be adopted in connection with other series of Bonds under the General Resolution will specify, when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and series to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other series of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The General Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Bond Reserve Fund contain amounts sufficient to meet the requirements of the General Resolution. See Appendix D "2009 GENERAL RESOLUTION" for a description of Program Expenses. THDA expects to use funds on deposit in the Debt Service and Expense Account of the Revenue Fund to pay Costs of Issuance, Underwriters' fees, initial Trustee's fees, and other similar costs associated with the Offered Bonds and may continue to do so in connection with future Bond issues or may pay such costs and fees from Bond proceeds in future transactions. In addition, THDA expects to pay certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure fees and expenses and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from other THDA bond resolutions and from other resources available to THDA. No assurances can be provided that THDA will not withdraw funds from the General Resolution in the future to pay all Program Expenses or other operating and administrative costs and expenses. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds". THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until May 28, 2018, 0.50% per annum until May 28, 2021, 1.0% per annum until May 28, 2025, and 1.50% per annum thereafter; and (iii) funds on deposit in the Issue 2015-A Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of Issue 2015-A PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the Issue 2015-A PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program

Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. "150% PSA" assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "200% PSA" assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. "300% PSA" assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "400% PSA" assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "500% PSA" assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under "Changes in Federal or State Law" above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the Issue 2015-A PAC Bonds. THDA has provided for the redemption of the Issue 2015-A PAC Bonds as described under the heading "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of Issue 2015-A PAC Bonds", and the weighted average lives of the Issue 2015-A PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2015-A Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $148,622,267 of Transferred Program Loans with an approximate weighted average maturity of 295 months and an approximate weighted average interest rate of 5.27% will be allocated to the Offered Bonds, (iii) Excess 2015-A Principal Payments will be used to redeem Issue 2015-A PAC Bonds only on Interest Payment Dates, (iv) in certain fast prepayment scenarios, THDA elects to use excess revenues under the General Resolution to redeem the PAC Bonds up to the Planned Amortization Amount (THDA is not obligated to use such excess revenues to redeem the PAC Bonds and no assurance can be provided that THDA will do so), and, (v) the Issue 2015-A PAC Bonds will be redeemed only in the Planned Amortization Amounts as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of Issue 2015-A PAC Bonds" and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see "DESCRIPTION OF TRANSFERRED PROGRAM LOANS" herein.

Projected Weighted Average Lives For Issue 2015-A PAC Bonds

PSA Speed	Average Life (in years)
0%	22.5
25	16.1
50	10.7
75	6.7
100	5.0
200	5.0
300	5.0
400	5.0
500	3.9

HOUSING FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $660,000,000 total original principal amount of Bonds under the General Resolution, of which $479,430,000 (unaudited) were outstanding as of February 28, 2015, as shown below:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Amount Outstanding as of February 28, 2015 (unaudited)	Original Net Interest Cost[1]
2009-A[2]	December 23, 2009	$100,000,000	--	$ 64,360,000	3.96%
2010-A/ 2009-B, Subseries B-1[3]	June 17, 2010	74,710,000	$ 85,290,000	102,060,000	3.85
2010-B/ 2009-B, Subseries B-2	November 10, 2011	40,000,000	60,000,000	75,970,000	3.15
2011-A/ 2009-B, Subseries B-3[3]	April 14, 2011	40,000,000	60,000,000	71,105,000	3.70
2011-B/ 2009-B, Subseries B-4	August 25, 2011	40,000,000	60,000,000	82,785,000	3.01
2011-C/ 2009-B, Subseries B-5	November 3, 2011	65,290,000	34,710,000	83,150,000	3.01
TOTAL		$360,000,000	$300,000,000[4]	$479,430,000	

(1) Bond Yield.

(2) THDA expects that a portion of these bonds, designated 2009-A2 may be refunded with a portion of the proceeds of the Offered Bonds.

(3) THDA expects that these bonds designated 2009-B, Subseries-B-1 and 2009-B, Subseries-B-3, respectively, may be refunded with a portion of the proceeds of the Offered Bonds.

(4) These bonds were originally issued as taxable bonds under the U.S. Treasury New Issue Bond Program and were designated as Issue 2009-B. As these bonds were released from escrow and converted, they received new designations of Issue 2009-B, Subseries B-1, Subseries B-2, Subseries B-3, Subseries B-4 and Subseries B-5, respectively.

Origination Experience

THDA's experience from December 23, 2009, to February 28, 2015, regarding origination of Program Loans[1] from lendable proceeds of Bonds issued under the General Resolution since December 23, 2009, is shown in the following table:

Issue of Bonds	Lendable Proceeds[2]	Program Loans Financed[3] as of February 28, 2015 Amount	%	Weighted Average Mortgage Interest Rate[4]
2009-A	$ 98,833,984	$ 98,833,984	100.00%	5.38%
2010-A/ 2009-B, Subseries B-1	136,547,095	136,547,095	100.00	5.20
2010-B/ 2009-B, Subseries B-2	95,990,100	95,990,100	100.00	4.83
2011-A/ 2009-B, Subseries B-3	102,310,000	102,310,000	100.00	5.11
2011-B/ 2009-B, Subseries B-4	94,175,000	94,175,000	100.00	5.10
2011-C/ 2009-B, Subseries B-5	102,200,000	102,200,000	100.00	4.98
TOTAL	$630,056,179	$630,056,179		

(1) See "HOUSING FINANCE PROGRAM LOANS—Description of Program Loans" for more information about Program Loans for more information about Program Loans.

(2) Excludes proceeds that must be lent at 0% interest as participations in other Program Loans.

(3) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

(4) The weighted average interest rate relates only to new loans made from the lendable proceeds of the related bond issue and does not include any transferred loans derived from any refunding component of the related bond issue.

In order to comply with the Code, the Offered Bonds and other bonds issued by THDA may result in the creation of pools of lendable proceeds which must be originated at very low or 0% interest to achieve yield compliance on such Bonds. The currently available amount of such pools of lendable proceeds, on an aggregate basis, is approximately $34,770,000 as of February 28, 2015. To reduce interest rates on various types of Program Loans as determined by THDA, THDA intends to use such amounts, from time to time, to finance Program Loans on a blended basis, or at 0% interest, with the lendable proceeds of current or future Bonds, or with current or future bonds issued under other general resolutions of THDA. THDA anticipates that all or substantially all lendable proceeds from the Offered Bonds must be used to originate Program Loans (or participations therein) at 0% interest to achieve yield compliance on the Offered Bonds.

HOUSING FINANCE PROGRAM LOANS

Description of Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits and THDA Acquisition Cost Limits for all loan programs are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits are either $240,000 or $275,000 depending on geographic location. The THDA Household Income Limits range from $54,600 to $89,600 depending on household size and geographic location. See Appendix G for a description of Housing Finance Program Loan Procedures related to Code requirements.

Since April 15, 2009, THDA has applied underwriting standards for Program Loans made after that date that, among other things include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. Program Loans financed prior to such date, including the Transferred Program Loans, were underwritten under different underwriting standards. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

All Program Loans, or participations therein, to be financed with lendable proceeds of Bonds will be made in accordance with the Program Loan Procedures described in Appendix G. All such Program Loans must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price. These Program Loans must be secured by a first lien on a fee simple or leasehold estate in real property located in the State. Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

On or before September 30, 2013, the THDA primary loan program included Great Rate loans, Great Advantage loans, Great Start loans and Homeownership for the Brave loans, all as described below. Transferred Program Loans financed prior to September 30, 2013, are Great Rate, Great Advantage, Great Start or Homeownership for the Brave Program Loans. On and after October 1, 2013, the THDA primary loan program includes Great Choice Program loans and Homeownership for the Brave Program loans, all as described below.

On or before September 30, 2013, THDA provided downpayment and closing cost assistance in the form of a grant that was available in connection with Great Start and Great Advantage Program Loans. Higher interest rates on these two Program Loan types reimbursed THDA for the grants made. On and after October 1, 2013, THDA provided downpayment and closing cost assistance in the form of Great Choice Plus Program Loans as described below.

Great Choice Program Loans

Since October 1, 2013, THDA has made Great Choice Program Loans available to eligible borrowers. Great Choice Program Loans are thirty year, fixed interest rate loans, fully amortized with full documentation and secured by a first lien on the property purchased. The interest rate for Great Choice Program Loans is set at a rate which results in the yield on such Program Loans not in excess of 1.125% above the yield on the related issue of bonds. The current interest rate for Great Choice Program Loans is 3.99%.

Great Choice Plus Loans

Since October 1, 2013, THDA has made Great Choice Plus loans available to eligible borrowers. Great Choice Plus loans are loans for downpayment and closing cost assistance and are available at the election of eligible borrowers in connection with Great Choice Program Loans. From October 1, 2013, to September 30, 2014, they were ten year, 0% interest rate loans in a principal amount equal to 4% of the purchase price of the property purchased. Since October 1, 2014, Great Choice Plus Loans are 0% interest, deferred, forgivable second lien loans with a fifteen year term. During the first ten years of the term, no monthly payments are due, but each Great Choice Plus loan will be due on sale and the amount due will be the full original principal amount of the loan. From years eleven through fifteen, each Great Choice Plus loan will be forgiven at twenty percent per year and the amount due on sale will be reduced by the forgiven amount. Great Choice Plus loans are secured by a second lien on the property purchased, are due on sale and are not assumable. Great Choice Plus loans may not be funded from the proceeds of bonds issued under the General Resolution.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of 60% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. An interest rate equal to one-half of the current interest rate for Great Choice Program Loans is available to borrowers who have a maximum family income of 70% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. All other THDA Program Loan requirements remain applicable. As of February 28, 2015 (unaudited), 23 New Start Program Loans, with an aggregate principal balance of approximately $1,585,626, were outstanding under the General Resolution. Approximately $1,028,000 aggregate principal amount of the Transferred Program Loans are New Start Program Loans. While THDA may finance New Start Program Loans, from time to time, from bond proceeds, THDA does not anticipate financing New Start Program Loans with the proceeds of the Offered Bonds.

Homeownership for the Brave

Homeownership for the Brave Program Loans are available to eligible borrowers at a ½-percentage point reduction on the otherwise applicable loan program. Active and retired members of the military and reservists (180 days active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of February 28, 2015 (unaudited), 11 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $1,089,181, were outstanding under the General Resolution. Eligible borrowers will also be eligible for Great Choice Plus loans. None of the Transferred Program Loans are Homeownership for the Brave Program Loans. THDA may continue to finance Homeownership for the Brave Loans, from time to time, from the proceeds of the Offered Bonds as well as from the proceeds of other Bonds.

Great Rate/Great Advantage/Great Start Program Loans

Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were available to qualified borrowers who had loan applications dated on or before September 30, 2013. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan were established at rates which resulted in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds.

An amount equal to 4% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA financed this downpayment and closing cost assistance from excess revenues available outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance.

Although Transferred Program Loans include Great Rate, Great Advantage and Great Start Program Loans, THDA no longer makes loans of this type.

Housing Finance Program Portfolio Data

General

As of February 28, 2015 (unaudited), 4,896 Program Loans for single-family owner-occupied housing having an aggregate outstanding principal balance of approximately $460,570,272 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 308.69 months and an approximate weighted average interest rate of 4.98%.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of February 28, 2015 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA[(1)]	Number of Program Loans	Outstanding Balance [(3)]	Percent of Total Number of Program Loans [(3)]	Percent of Outstanding Balance [(3)]
FHA Insured	4,622	$439,591,720	94.40%	95.45%
VA Guaranteed	42	3,434,860	0.86	0.75
Privately Insured	10	393,324	0.20	0.09
USDA/RD Guaranteed	160	12,739,671	3.27	2.77
Uninsured[(2)]	62	4,410,698	1.27	0.96
TOTAL	4,896	$460,570,273[(4)]	100.00%[(4)]	100.00%[(4)]

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "HOUSING FINANCE PROGRAM LOANS—Description of Program Loans" for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least 'AA' by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least 'AA' from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Program Loans allocated to Bonds under the General Resolution upon the refunding of other THDA obligations, including certain of the Transferred Program Loans are privately insured and are shown under the heading "Privately Insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least 'AA' by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least 'AA' by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of February 28, 2015 (unaudited), 10 privately insured Program Loans having an aggregate balance of approximately $393,324 were outstanding under the General Resolution. As of February 28, 2015 (unaudited), THDA had the following information regarding the private mortgage insurers for the privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance (1)	Percent of Total Number of Program Loans(1)	Percent of Outstanding Balance (1)
Commonwealth/CMAC	2	$ 73,633	0.04%	0.02%
Genworth Mortgage Insurance Corp. (GE)	3	142,886	0.06	0.03
Radian Guaranty Inc.	1	27,692	0.02	0.01
Republic Mortgage Insurance Corporation	3	118,621	0.06	0.03
United Guaranty Residential Insurance Co.	1	30,492	0.02	0.01
TOTAL	10	$393,324(2)	0.20%(2)	0.09%(2)

(1) Rounded figures.
(2) Rounded total.

Program Loan Interest Rates

The following table summarizes, as of February 28, 2015 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans(1)	Outstanding Balance (2)	Percent of Total Number of Program Loans(2)	Percent of Outstanding Balance (2)
0.00-0.99	23	$ 1,585,626	0.47%	0.34%
1.00-1.99	0	0	0.00	0.00
2.00-2.99	0	0	0.00	0.00
3.00-3.99	113	9,752,011	2.31	2.12
4.00-4.49	92	8,807,025	1.88	1.91
4.50-4.99	2,264	227,512,846	46.24	49.40
5.00-5.49	1,578	153,505,177	32.23	33.33
5.50-5.99	497	45,785,952	10.15	9.94
6.00-6.49	36	1,285,927	0.74	0.28
6.50-6.99	207	9,008,388	4.23	1.96
7.00-7.49	18	873,873	0.37	0.19
7.50-7.99	11	484,270	0.22	0.11
8.00-8.49	44	1,799,882	0.90	0.39
8.50-8.99	13	169,294	0.27	0.04
TOTAL	4,896	$460,570,271(3)	100.00%(3)	100.00%(3)

(1) See "HOUSING FINANCE PROGRAM LOANS —Description of Program Loans" for a description of types of Program Loans.
(2) Rounded figures.
(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

Delinquencies and Foreclosures as of February 28, 2015

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.19%, based on a total of 4,896 Program Loans as of February 28, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of February 28, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF FEBRUARY 28, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured.......................	102	$ 9,855,987	2.21%	1.85%[4]
VA Guaranteed..................	1	16,470	2.38	1.06
Privately Insured................	0	0	0.00	0.53 [5]
USDA/RD Guaranteed	1	49,167	0.63	[6]
Uninsured	3	137,973	4.84	[6]
TOTAL	107	$10,059,597[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

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The overall delinquency rate for Program Loans that were ninety (90) days past due was 8.05%, based on a total of 4,896 Program Loans as of February 28, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of February 28, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF FEBRUARY 28, 2015

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	377	$36,546,194	8.16%	3.25%[4]
VA Guaranteed	3	374,534	7.14	2.32
Privately Insured	0	0	0.00	1.08 [5]
USDA/RD Guaranteed	14	1,153,654	8.75	[6]
Uninsured	0	0	0.00	[6]
TOTAL	394	$38,074,382[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.88%, based on a total of 4,896 Program Loans as of February 28, 2015 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of February 28, 2015 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2014, are as follows:

IN FORECLOSURE AS OF FEBRUARY 28, 2015

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	40	$3,171,245	0.87%	1.86%[4]
VA Guaranteed	2	111,794	4.76	1.08
Privately Insured	1	50,266	10.00	0.50 [5]
USDA/RD Guaranteed	0	0	0.00	[6]
Uninsured	0	0	0.00	[6]
TOTAL	43	$3,333,305[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

As of February 28, 2015, the Transferred Program Loans have an approximate weighted average maturity of 293 months and a weighted average interest rate of 5.27% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS –

Prepayment Experience of Transferred Program Loans" below. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of February 28, 2015; the Transferred Program Loans will not be allocable to the Offered Bonds until June 1, 2015, and Transferred Program Loan characteristics may change slightly from February 28, 2015, to June 1, 2015).

Transferred Program Loans by Loan Type

Type of Mortgage	Number	Principal Amount (3)	% of Transferred Principal Amount
FHA Insured	1,564	$141,948,604	92.60%
VA Guaranteed	17	1,241,534	0.81
Privately Insured(1)	6	243,464	0.16
USDA/RD Guaranteed	90	7,596,705	4.96
Uninsured(2)	33	2,261,608	1.48
TOTAL	1,710	$153,291,915 (4)	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.

(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least 'AA' by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least 'AA' by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of February 28, 2015 (unaudited), 6 privately insured Transferred Program Loans having an aggregate principal balance of approximately $243,464 were outstanding.

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Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of a portion of the mortgage loans originally allocable to the Prior Bonds and to other bonds that were issued at the same time under the U.S. Treasury's New Issue Bond Program (the "Market Bonds"). The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of all the mortgage loans allocable to the Prior Bonds and the corresponding Market Bonds for the 3 month, 6 month and 12 month periods ended on February 28, 2015, based on principal prepayment data available to THDA. No assurances can be given that these prepayment speeds will occur in the future.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Interest Rate
Issue 2009-A1 and A2	156%	178%	176%	160%	5.23%
Issue 2010-A1 and A2/ Issue 2009-B, Subseries B-1	155	190	185	180	5.43
Issue 2011-A/ Issue 2009-B, Subseries B-3	104	153	144	185	5.09
Weighted Average For All Prior Bonds and Market Bonds	140%	176%	170%	176%	5.27%

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.93%, based on a total of 1,710 Transferred Program Loans as of February 28, 2015 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of February 28, 2015, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF FEBRUARY 28, 2015

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% by Type of Program Loan	% by Loan Type
FHA Insured	30	$2,536,910	1.92%	1.85%[4]
VA Guaranteed	1	16,470	5.88	1.06
Privately Insured	0	0	0.00	0.53 [5]
USDA/RD Guaranteed	1	49,137	1.11	[6]
Uninsured	1	46,359	3.03	[6]
TOTAL	33	$2,648,876 [2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending December 31, 2014.

(4) FHA fixed rate mortgage loans

(5) Prime fixed rate mortgage loans.

(6) MBA does not report data in these categories.

The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 8.65%, based on a total of 1,710 Transferred Program Loans as of February 28, 2015 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of February 28, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF FEBRUARY 28, 2015

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured.......................	139	$13,206,563	8.89%	3.25%(4)
VA Guaranteed..................	2	263,127	11.76	2.32
Privately Insured.................	0	0	0.00	1.08 (5)
USDA/RD Guaranteed	7	550,167	7.78	(6)
Uninsured	0	0	0.00	(6)
TOTAL	148	$14,019,857(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 0.58%, based on a total of 1,710 Transferred Program Loans as of February 28, 2015 unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of February 28, 2015 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending December 31, 2014, are shown in the following table:

IN FORECLOSURE AS OF FEBRUARY 28, 2015

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured.......................	9	$831,285	0.58%	1.86%(4)
VA Guaranteed..................	0	0	0.00	1.08
Privately Insured.................	1	50,266	16.67	0.50 (5)
USDA/RD Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	10	$881,551 (2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix I.

FINANCIAL SUMMARY OF GENERAL HOUSING FINANCE PROGRAM

Consolidated Revenues and Net Position

The following table summarizes consolidated revenues and net position for Housing Finance Program Bonds for the five most recent years, and for the six months ended December 31, 2014, and December 31, 2013. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the years ending June 30, 2014, 2013, 2012, 2011, and 2010, and for the six months ended December 31, 2014 (unaudited) and December 31, 2013 (unaudited).

	Six Months Ended December 31 (Unaudited)		Year Ended June 30 (Audited)				
Housing Finance Bond Group	**2014**	**2013**	**2014**	**2013**	**2012**	**2011**	**2010**
REVENUES:							
Interest on Mortgages	$ 12,301	$ 13,644	$ 26,424	$ 29,417	$ 27,184	$ 18,305	$ 3,143
Investment Income:							
Interest	345	408	743	812	1,220	501	69
Net Increase (decrease) in the Fair Value of Investments	359	(248)	146	(1,608)	(306)	(195)	185
Fees and Other Income			-	-	-	-	-
	13,005	13,804	27,313	28,621	29,098	18,611	3,397
EXPENSES:							
Interest	8,702	9,509	18,840	20,921	20,351	11,899	2,151
Issuance Cost			-	-	136	71	22
Mortgage Servicing Fees	897	969	1,892	2,127	1,907	1,229	208
Contractual Services	3		-	-	-	-	-
Other	357	140	494	286	257	81	19
	9,959	10,618	21,226	23,334	22,651	13,280	2,400
Excess of Revenues over Expenses	3,046	3,186	6,087	5,287	5,447	5,331	997
Net Position at beginning of period	45,626	45,735	45,735	45,500	34,411	22,081	-
Cumulative Change of Accounting Principle				(3,400)			
Net Position at beginning of period, as restated				42,100			
Other Transfers	(6,869)	(1,440)	(6,196)	(1,652)	5,642	6,999	21,084
Net Position at end of period	$ 41,803	$ 47,481	$ 45,626	$ 45,735	$ 45,500	$ 34,411	$ 22,081

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Investments

THDA's non-mortgage investments of funds held under the General Resolution consist of Investment Securities as authorized in the Resolution. THDA solicits bids in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of February 28, 2015 (unaudited), the General Resolution investment portfolio (including investments from the 1985 General Resolution transferred to the General Resolution, as described under the heading "HOUSING FINANCE PROGRAM LOANS-Description of Housing Finance Programs Loans-Transfer of Assets") was placed as follows:

Types of Investments	Short Term(1) Amount	Long Term(2) Amount
Federal Farm Credit Bank Notes	$ 0	$ 3,744,100
Federal Home Loan Bank Notes	5,419,916	5,996,759
Fannie Mae Notes	275,308	8,205,949
United States Treasury Bonds	0	2,578,721
TOTAL	$ 5,695,224	$ 20,525,529

As of February 28, 2015 (unaudited), amounts in the Bond Reserve Fund, a portion of the General Resolution investment portfolio described above, were invested as follows:

Types of Investments	Short Term(1) Amount	Long Term(2) Amount
Federal Farm Credit Bank Notes	$ 0	$ 3,744,100
Federal Home Loan Bank Notes	0	4,128,220
Fannie Mae Notes	0	8,205,949
United States Treasury Bonds	0	2,578,721
TOTAL	$ 0	$ 18,656,990

(1) Short term investments include cash equivalents and investments that mature in one year or less.

(2) Long term investments include investments that mature in more than one year regardless of call features.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

In accordance with Tennessee law, state entities, including THDA are subject to periodic review by the General Assembly to evaluate the necessity for their continued existence. THDA's existence has been continued until June 30, 2018.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of February 28, 2015 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $1,863,640,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that six board members be appointed by the Governor from among the following groups: retail building material supply, manufactured housing, home building, mortgage banking, licensed real estate brokers, local public housing authority, local government and qualifying non-profits. The Act also provides for a board member to be appointed by the Speaker of the State Senate, a board member to be appointed by the Speaker of the State House of Representatives, two at-large board members appointed by the Governor who are knowledgeable about the problems of inadequate housing conditions in Tennessee and any board members as may be required by applicable federal law or regulation. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors[(1)] are shown below:

Name	**Term Expires**	**Principal Occupation**
Phil M. Baggett	June 30, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
John L. Baker	June 30, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	June 30, 2017	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Philip C. Chamberlain, II	June 30, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Dorothy L. Cleaves	June 30, 2016	First Vice President, Paragon National Bank Memphis
Kendra Cooke	June 30, 2017	Broker, Cooke Realty Partners/Bob Parks Realty Brentwood, TN
Tre Hargett[(2)]	January, 2017	Secretary of State
Ronald K. Jones	June 30, 2016	Executive Director, Trevecca Towers Nashville
David H. Lillard, Jr.[(2)]	January, 2017	State Treasurer
Larry Martin[(2)]	(3)	Commissioner, Department of Finance and Administration
Ashleigh Harb Roberts[(2)]	(3)	Deputy Counsel to the Governor
Benjie Shuler	June 30, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	June 30, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson[(2)]	January, 2017	Comptroller of the Treasury

(1) Two Board of Directors positions appointed by the Governor are vacant including one position appointed under T.C.A. 13-23-107(a) and one position appointed under T.C.A. Section 13-23-107(c).

(2) Ex officio member.

(3) Serves at pleasure of the Governor.

Executive Staff Members

THDA employs a staff of approximately 210 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Lindsay Hall – Senior Director of Single Family Programs since 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Gathelyn (Gay) Oliver, C.P.A. - Director of Internal Audit since 2013. Formerly, Tennessee Department of Human Services (2010-2013); Randa Solutions (2009-2010); Beacon Technologies (2007-2009); BellSouth (1999-2007); Tennessee Department of Revenue (1988-1997, 1998-1999), Tennessee Department of Environment and Conservation(1997-1998). B.B.A., Middle Tennessee State University, M.B.A., Vanderbilt University Owen Graduate School of Management.

Trent Ridley – Chief Financial Officer since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

THDA's principal office is located at 502 Deaderick Street, 3rd Floor, Nashville, Tennessee 37243-0200, and its telephone number is (615) 815-2200. THDA has regional offices in four (4) locations elsewhere in the State for the purpose of administering the Housing Choice Voucher rental assistance program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Residential Finance Program and all of the other general bond resolutions and mortgage loan programs of THDA.

The Housing Program Fund is the vehicle used by THDA to fund non-mortgage programs not otherwise funded through federal programs. Essentially, all revenues of THDA derived from sources other than the Housing Finance Program or other bond resolutions are deposited into the Housing Program Fund. Amounts in the Housing Program Fund currently include investment income from the Housing Program Fund, federal funds received by THDA for the administration of federal programs, and fees charged by THDA in connection with its non-mortgage programs. Amounts in the Housing Program Fund are not pledged as security for the Offered Bonds.

The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings, but which presently has a balance of $0. Amounts in the Assets Fund, if any, are not pledged as security for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA:

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing

Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program no longer administered by THDA. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are appropriated to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002.

Notwithstanding the foregoing, if projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Payment of THDA Operating Expenses, Including Program Expenses

THDA currently receives no funds from the State of Tennessee for operating and administrative expenses. THDA currently pays all operating and administrative expenses, including certain Program Expenses of the General Housing Finance Program, with funds available therefor from other THDA bond resolutions and from other resources available to THDA. THDA may pay certain expenses, such as Costs of Issuance, Underwriter's fees, initial Trustee's fees, and other similar costs from amounts on deposit in the Debt Service and Expense Account of the Revenue Fund. THDA currently expects to continue to pay certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure fees, and other similar costs from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from other THDA bond resolutions and from other resources available to THDA. No assurance can be provided that THDA will not withdraw funds from the General Resolution in the future to pay all Program Expenses and operating and administrative costs that are not Program Expenses. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses. Regardless of THDA's best efforts and in the event of additional transfers to the State, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees); higher education employees; teachers; and employees of certain local governments. There are 57,410 active members in TCRS in the state and higher education employee group at June 30, 2014. This total includes 242 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees hired prior to July 1, 2014, in the state and higher education group, including THDA employees, are noncontributory. New employees hired on or after July 1, 2014, will contribute 5% of salary.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. The past practice has been that an actuarial valuation is performed every other year. The next actuarial valuation is scheduled for July 1, 2015. The TCRS Board of Trustees adopted a pension funding policy to begin annual actuarial valuations going forward.

Actuarial Data

At July 1, 2013, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.466 billion, resulting in a funded ratio of 89.40%. The unfunded actuarial liability would have been $1.995 billion if based on the market value of assets with the funded ratio being 85.56%. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2012, and ending June 30, 2014, is 15.03% based on the actuarial valuation performed as of July 1, 2011. The actuarial valuation, as of July 1, 2013, established the same employer contribution rate (15.03%) for the period July 1, 2014, to June 30, 2016, for employees hired before July 1, 2014, while the employer rate will be 4% for employees first hired after June 30, 2014.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2015	15.03%	$13,016,900*	$1,956,440*	1.39%*
2014	15.03	11,721,300	1,761,711	1.19
2013	15.03	11,315,872	1,692,847	1.26
2012	14.91	11,005,204	1,632,095	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2014, the salary of THDA employees totaled $11,721,300, which represents 0.48% of the $2.47 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred investment losses that have been actuarially smoothed are recognized over the next ten years.

New Retirement Plan for Employees Hired on or after July 1, 2014

As authorized by Public Chapter 259, Acts of 2013, employees first hired on or after July 1, 2014, will participate in a retirement plan consisting of a defined benefit plan and a defined contribution plan. Employees will contribute at 5% of salary to the defined benefit plan. Employees will contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans will be limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan.

The benefit accrual formula under the new retirement plan will be 1% versus 1.575% in the closed pension plan. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90) under the new plan while the closed plan is age 60 or 30 years of service. Vesting is 5 years for both plans. Within the new retirement plan, there is a stabilization reserve created for any employer contributions that exceed the actuarially required employer rate that will be utilized to control cost and unfunded liabilities.

The defined benefit component of the new retirement plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the new retirement plan and do not apply to the closed pension plan.

Governmental Accounting Statements 67 and 68

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 67 relative to financial reporting for pension plans and Statement No. 68 relative to accounting and financial reporting for pensions for governmental entities. The statements essentially separate pension accounting from pension funding, which have historically been linked together. Statement No. 68 provides a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, Statement No. 68 provides a methodology for measuring the pension liability to be presented in the employer's financial statement. Regardless, financial statement presentation will not affect the pension funding methodologies described herein. For TCRS, Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and Statement No. 68 for the State will be effective for the fiscal year ended June 30, 2015.

Deferred Compensation Plan

The deferred compensation program is a voluntary defined contribution plan to provide state employees and higher education employees with the opportunity to accumulate supplemental retirement income on a tax advantaged basis. The program offers employees two plans, a 457 plan and a 401(k) plan. The contributions to the 401(k) plan can be made to both traditional and/or Roth plans.

Employee contribution limits to the 401(k) plan are established by federal statute. In the 401(k) plan, employee contributions are matched by employer contributions up to a maximum of $50 per month. Employer contributions are subject to the funding being appropriated in the budget each fiscal year; otherwise no match will be made by THDA. Employees are immediately vested in employee and employer contributions. Employees can choose to invest employer and employee contributions among a variety of investment products.

Employee contribution limits to the 457 plan are established by federal statute. There are no employer contributions to the 457 plan. Employees are immediately vested in employee contributions. Employees can choose to invest contributions among a variety of investment products.

For the fiscal year ended June 30, 2014, 158 THDA employees made contributions to the 401(k) plan and9 THDA employees made contributions to the 457 plan. THDA made employer contributions to the 401(k) plan that totaled $84,065 while THDA employees contributed $229,820 to both the 401(k) plan and the 457 plan.

One component of the new retirement plan is a defined contribution plan for state employees and higher education employees entering service on or after July 1, 2014. By statute, employer contributions are made at the rate of 5% of salary. However, employer contributions may be reduced as part of the cost controls and unfunded liability controls as previously described in the defined benefit plan component. Upon employment, employees are automatically enrolled to contribute 2% of salary to the defined contribution plan but employees may elect to increase or decrease the employee contributions at any time. Employees are immediately vested in employee and employer contributions. Employees can choose among a variety of investment products.

Other Post-Employment Benefits

Certain other GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2013, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that for the fiscal year ended June 30, 2014, the total unfunded actuarial liability of THDA is approximately $2,964,000 and the annual required contribution for THDA is approximately $345,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2016. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix D. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Offered Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Offered Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATING

Moody's Investors Service, Inc. ("Moody's") assigned the Offered Bonds a rating of Aa2. Such rating reflects only the views of the rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's. THDA has furnished to Moody's certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by Moody's if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the rating may have an adverse effect on the market price of the Offered Bonds.

CONTINUING DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 2013 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2015-A Supplemental Resolution for the benefit of the Beneficial Owners of the Offered Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in "FINANCIAL STATEMENTS" below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under "HOUSING FINANCE PROGRAM BONDS," and "HOUSING FINANCE PROGRAM LOANS" including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, (ii) contained in Appendix E hereto and (iii) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on any credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2015-A Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2015-A Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2015-A Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2015-A Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and the opinion of the Chief Legal Counsel of THDA will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix H. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the year ended June 30, 2014, and June 30, 2013, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the six months ended December 31, 2014, and December 31, 2013. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

UNDERWRITING

RBC Capital Markets, LLC, Citigroup Global Markets Inc., Raymond James & Associates, Inc., FTN Financial Capital Markets, J.P. Morgan Securities LLC, Wells Fargo Bank, National Association, and Wiley Bros.—Aintree Capital, LLC (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at the prices indicated on the inside cover of this Official Statement. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $994,414.32. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup, an underwriter of the Offered Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Offered Bonds.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly-owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

J.P. Morgan Securities LLC (“JPMS”), one of the underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the General Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the General Resolution and to cause such books to be audited for each fiscal year. The General Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor’s report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of and for the years ended June 30, 2014, and June 30, 2013, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2014, and June 30, 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency's internal control over financial reporting and compliance.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
November 3, 2014

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2014, and June 30, 2013, with comparative information presented for the fiscal year ended June 30, 2012. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2014, THDA has originated over 115,000 single-family mortgage loans in its 41-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 75 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows, as well as notes to the financial statements. The statements of net position provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses, and changes in net position summarize the results of operations over the course of each fiscal year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discreetly presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at www.tn.gov/finance/act/cafr.shtml.

During fiscal year 2013, THDA implemented several accounting standards, including GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* Among the requirements of these pronouncements, GASB Statement 63 required the reclassification of net assets to net position; as well as the reclassification of certain deferred amounts to new categories called deferred outflows of resources and deferred inflows of resources. As applicable to THDA, deferred amounts from bond refundings, which were previously reported as a component of bonds payable (noncurrent), are now reported as deferred outflows of resources. In addition, bond issuance costs, which previously was reported as an asset (deferred charges) and amortized over the life of the bonds, is now recognized as expense in the period when incurred. GASB Statement 65 required retroactive implementation and reporting for all financial periods presented; therefore, beginning net position for fiscal year 2012 was restated to reflect the retroactive application of GASB Statement 65.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2014

- Total assets decreased by $162.7 million, or 6.0%.
- Deferred outflows of resources decreased $1.0 million, or 45.3%.
- Total liabilities decreased by $164.2 million, or 7.5%.
- Net position was $526.9 million. This is an increase of $0.5 million, or 0.1%, from fiscal year 2013.
- Cash and cash equivalents decreased by $130.9 million, or 32.4%.
- Total investments decreased by $31.2 million, or 11.0%.
- Bonds payable decreased by $152.5 million, or 7.1%.
- THDA originated $227.3 million in new loans, which is a decrease of $15.1 million, or 7.1%, from the prior year.

Year Ended June 30, 2013

- Total assets increased by $102.4 million, or 3.9%.
- Deferred outflows of resources decreased $0.2 million, or 6.5%.
- Total liabilities increased by $119.3 million, or 5.7%.
- Net position was $526.5 million. This is a decrease of $17.0 million, or 3.1%, from fiscal year 2012.
- Cash and cash equivalents increased by $150.7 million, or 59.4%.
- Total investments increased by $56.9 million, or 25.0%.
- Bonds payable increased by $116.5 million, or 5.8%.
- THDA originated $212.2 million in new loans, which is a decrease of $23.6 million, or 10.0%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position. The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2014	2013	2012
Current assets	$ 400,662	$ 495,605	$ 314,268
Capital assets	626	194	113
Other noncurrent assets	2,163,308	2,231,487	2,310,506
Total assets	2,564,596	2,727,286	2,624,887
Deferred outflows of resources	1,250	2,287	2,445
Current liabilities	171,907	303,224	207,708
Noncurrent liabilities	1,867,011	1,899,882	1,876,123
Total liabilities	2,038,918	2,203,106	2,083,831
Invested in capital assets	626	194	114
Restricted net position	449,905	489,105	503,563
Unrestricted net position	76,397	37,168	39,824
Total net position	$ 526,928	$ 526,467	$ 543,501

2014 to 2013

- THDA's total net position increased by $0.5 million, or 0.1%, from $526.5 million at June 30, 2013 to $526.9 million at June 30, 2014. While various factors accounted for this change, the most significant factors include an increase in investment income, an increase in the net increase/decrease in the fair value of investments, and a decrease in bonds payable.

- Mortgage loans receivable decreased by $21.0 million or 1.1% from $1,987.3 million on June 30, 2013 to $1,966.3 million on June 30, 2014. During FY 2014, single-family mortgage loan originations increased by $15.1 million or 7.1% from $212.2 million at June 30, 2013 to $227.3 million at June 30, 2014. Mortgage loan prepayments and repayments decreased by $22.1 million or 8.3% from $267.3 million at June 30, 2013 to $245.3 million at June 30, 2014.

- Total liabilities decreased $164.2 million or 7.5% from $2,203.1 million on June 30, 2013 to $2,038.9 million on June 30, 2014. The decrease is primarily due to a decrease in the amount of bonds issued during fiscal year 2014 as compared to fiscal year 2013, as well as an increase in the redemption of bonds, due to more frequent bond calls, as compared to fiscal year 2013.

2013 to 2012

- THDA's total net position decreased by $17.0 million, or 3.1%, from $543.5 million at June 30, 2012, to $526.5 million at June 30, 2013. While various factors accounted for this change, the most significant factors include a decrease in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, and an increase in bonds payable.

- Mortgage loans receivable decreased by $109.3 million, or 5.2%, from $2,096.6 million on June 30, 2012, to $1,987.3 million on June 30, 2013. During FY 2013, single-family mortgage loan originations decreased by $23.6 million, or 10.0%, from $235.7 million at June 30, 2012, to $212.2 million at June 30, 2013. Conversely, mortgage loan prepayments and repayments increased by $58.3 million, or 28.0% from $209.0 million at June 30, 2012, to $267.3 million on June 30, 2013.

- Total liabilities increased $119.3 million, or 5.7%, from $2,083.8 million at June 30, 2012, to $2,203.1 million at June 30, 2013. The increase is primarily due to an increase in the amount of bonds issued during fiscal year 2013 as compared to fiscal year 2012, as well as a small decrease in the redemption of bonds as compared to fiscal year 2012.

Changes in Net Position. The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2014	2013	2012
Operating revenues			
Mortgage interest income	$ 102,108	$ 109,158	$ 116,015
Investment income	6,346	(4,346)	11,992
Other	19,027	17,865	17,693
Total operating revenues	127,481	122,677	145,700
Operating expenses			
Interest expense	70,390	78,643	86,020
Other	42,941	41,982	41,298
Total operating expenses	113,331	120,625	127,318
Operating income	14,150	2,052	18,382
Nonoperating revenues (expenses)			
Grant revenues	295,814	237,638	260,371
Payment from primary government	-	-	34,500
Grant expenses	(309,503)	(256,724)	(274,977)
Total nonoperating revenues (expenses)	(13,689)	(19,086)	19,894
Change in net position	$ 461	$ (17,034)	$ 38,276

2014 to 2013

Total operating revenues increased $4.8 million, or 3.9%, from $122.7 million for the year ended June 30, 2013, to $127.5 million for the year ended June 30, 2014. The primary reasons for this increase are as follows:

- Investment income increased $10.7 million or 247.0% from a net loss of $4.3 million in 2013 to $6.3 million in 2014, due to the net increase in the fair value of investments by $10.7 million.

- Mortgage interest income decreased $7.1 million, or 6.4%, from $109.2 million in 2013 to $102.1 million in 2014. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $7.3 million, or 6.0%, from $120.6 million in fiscal year 2013 to $113.3 million in fiscal year 2014. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

2013 to 2012
Total operating revenues decreased $23.0 million, or 15.8%, from $145.7 million for the year ended June 30, 2012, to $122.7 million for the year ended June 30, 2013. The primary reasons for this decrease are as follows:

- Investment income decreased $16.3 million, or 136.2%, from $12.0 million in 2012 to a net loss of $4.3 million in 2013. While interest income from investments decreased marginally, THDA experienced a net decrease in the fair value of investments of $15.2 million in fiscal year 2013, as compared to a net increase in the fair value of investments of $0.3 million in fiscal year 2012.

- Mortgage interest income decreased $6.9 million, or 5.9%, from $116.0 million in 2012 to $109.1 million in 2013. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in fiscal year 2012 to $120.6 million in fiscal year 2013. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

For the year ended June 30, 2013, total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in 2012 to $120.6 million in 2013. The decrease is not significant.

DEBT ACTIVITY

Bonds outstanding at June 30 were as follows (expressed in thousands):

	2014	2013	2012
Bonds payable	$ 1,984,298	$ 2,136,806	$ 2,020,302

Year Ended June 30, 2014
Total bonds and notes payable decreased $152.5 million, or 7.1%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $277.8 million, with activity arising from two bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $61.8 million of outstanding bonds into new bond originations with lower interest rates.

Year Ended June 30, 2013
Total bonds and notes payable increased $116.5 million, or 5.8%, due primarily to an increase in the amount of bonds issued as well as a decrease in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $456.7 million, with activity arising from three bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $66.5 million of outstanding bonds into new bond originations with lower interest rates.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP. Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted:

Date	Amount	New Bond Issue
June 17, 2010	$ 56,860,000	Bond Issue 2010-A1
	17,850,000	Bond Issue 2010-A2
	85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	40,000,000	Bond Issue 2010-B
	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	40,000,000	Bond Issue 2011-A
	60,000,000	Bond Issue 2009-B, Subseries B-3
August 25, 2011	40,000,000	Bond Issue 2011-B
	60,000,000	Bond Issue 2009-B, Subseries B-4
November 03, 2011	65,290,000	Bond Issue 2011-C
	34,710,000	Bond Issue 2009-B, Subseries B-5

As of June 30, 2012, all of the bonds issued under issue 2009-B1 had been released, re-designated, and converted into fixed-rate, tax-exempt bonds.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2, and Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc. has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1, and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

There were no revisions to THDA's bond ratings during FY 2014 or FY 2013.

Debt Limits

In accordance with *Tennessee Code Annotated,* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2014	FY 2013	FY 2012	FY 2011 and Prior	Total
Funding Sources:					
THDA	$ 9,300,000	$ 6,500,000	$ 6,500,000	$ 30,000,000	$ 52,300,000
State Appropriation	-	-	-	4,350,000	4,350,000
Totals	**$ 9,300,000**	**$ 6,500,000**	**$ 6,500,000**	**$ 34,350,000**	**$ 56,650,000**
Approved Uses:					
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 700,000	$ 3,500,000	$ 5,600,000
Ramp Program (UCP)	-	-	-	50,000	50,000
Ramp Program	-	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	150,000	300,000	750,000
Homebuyer Education Initiative	-	-	-	300,000	300,000
Emergency Repairs for Elderly	-	-	2,000,000	10,000,000	12,000,000
Emergency Repairs	2,000,000	-	-	-	2,000,000
Competitive Grants	3,850,000	5,150,000	3,150,000	19,800,000	31,950,000
Pilot Program Manufactured Hsg	-	500,000	500,000	-	1,000,000
Dunlap New Hope	300,000	-	-	-	300,000
Rebuild & Recover	2,300,000	-	-	-	2,300,000
Totals	**$ 9,300,000**	**$ 6,500,000**	**$ 6,500,000**	**$ 34,350,000**	**$ 56,650,000**

In addition to the above funding, local grants could produce an additional $4 million or more in funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

In October of 2013, THDA made a significant change to its mortgage lending program. On October 1, 2013, the *Great Choice* and the *Great Choice Plus* loan programs were introduced and the *Great Rate*, *Great Advantage* and *Great Start* loan programs were eliminated. The *Great Choice* loan program offers THDA the opportunity to offer a more competitive interest rate on its 30 year fixed rate mortgage product while still offering down payment assistance with the addition of the *Great Choice Plus* loan program which is a second mortgage at a 0% interest rate for a term of 10 years.

A special interest rate reduction on *Great Choice* loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. This special offer, referred to as "*Homeownership for the Brave*", provides a 0.5% rate reduction on the current interest rate for *Great Choice* loans. In addition to the rate reduction, "*Homeownership for the Brave*" applicants are eligible for optional down payment and closing cost assistance through the *Great Choice Plus* second mortgage loan at a 0% interest rate.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/index.aspx?NID=8.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2014, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	24,696	476	36,569,088	1.93%
90+ Days Past Due	24,696	1,284	102,510,630	5.20%
In Foreclosure	24,696	485	37,182,049	1.97%

As of June 30, 2013, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,265	554	40,491,422	2.19%
90+ Days Past Due	25,265	1,181	89,505,286	4.67%
In Foreclosure	25,265	550	45,013,301	2.18%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five-year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 265,058	$ 382,434
Investments (Note 2)	17,006	15,310
Receivables:		
Accounts	32,941	18,155
Interest	13,896	13,435
First mortgage loans	52,087	51,350
Due from federal government	19,668	14,921
Prepaid expenses	6	-
Total current assets	400,662	495,605
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	8,345	21,897
Investments (Note 2)	189,307	200,346
Investment interest receivable	1,689	1,753
Investments (Note 2)	46,692	68,533
First mortgage loans receivable	1,914,213	1,935,924
Advance to local government	3,062	3,034
Capital assets:		
Furniture and equipment	1,437	697
Less accumulated depreciation	(811)	(503)
Total noncurrent assets	2,163,934	2,231,681
Total assets	2,564,596	2,727,286
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	1,250	2,287
Total deferred outflows of resources	1,250	2,287
LIABILITIES		
Current liabilities:		
Accounts payable	5,755	1,642
Accrued payroll and related liabilities	612	535
Compensated absences	587	600
Due to primary government	72	71
Interest payable	36,502	40,279
Escrow deposits	82	172
Prepayments on mortgage loans	1,293	986
Due to federal government	4,314	17,619
Bonds payable (Note 4)	122,690	241,320
Total current liabilities	171,907	303,224
Noncurrent liabilities:		
Bonds payable (Note 4)	1,861,608	1,895,486
Compensated absences	623	630
Net OPEB obligation (Note 9)	1,413	1,303
Escrow deposits	2,138	2,463
Arbitrage rebate payable	1,229	-
Total noncurrent liabilities	1,867,011	1,899,882
Total liabilities	2,038,918	2,203,106
NET POSITION		
Net investment in capital assets	626	194
Restricted for single family bond programs (Note 5 and Note 7)	434,000	472,570
Restricted for grant programs (Note 5)	12,752	13,382
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,153
Unrestricted (Note 7)	76,397	37,168
Total net position	$ 526,928	$ 526,467

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
OPERATING REVENUES		
Mortgage interest income	$ 102,108	$ 109,158
Investment income:		
Interest	10,682	10,881
Net (decrease) in the fair value of investments	(4,336)	(15,227)
Federal grant administration fees	16,556	15,586
Fees and other income	2,471	2,279
Total operating revenues	127,481	122,677
OPERATING EXPENSES		
Salaries and benefits	16,578	16,083
Contractual services	5,973	3,930
Materials and supplies	1,250	493
Rentals and insurance	94	115
Other administrative expenses	527	445
Other program expenses	8,878	9,926
Interest expense	70,390	78,643
Mortgage service fees	7,165	7,291
Issuance costs	2,167	3,639
Depreciation	309	60
Total operating expenses	113,331	120,625
Operating income	14,150	2,052
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	295,814	237,638
Federal grants expenses	(292,523)	(237,352)
Local grants expenses	(16,980)	(19,372)
Total nonoperating revenues (expenses)	(13,689)	(19,086)
Change in net position	461	(17,034)
Total net position, July 1	526,467	543,501
Total net position, June 30	$ 526,928	$ 526,467

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
Cash flows from operating activities:		
Receipts from customers	$ 334,953	$ 429,234
Receipts from federal government	16,592	15,344
Other miscellaneous receipts	2,471	2,279
Acquisition of mortgage loans	(227,296)	(212,166)
Payments to service mortgages	(7,165)	(7,291)
Payments to suppliers	(11,935)	(14,366)
Payments to employees	(16,720)	(16,123)
Net cash provided by operating activities	90,900	196,911
Cash flows from non-capital financing activities:		
Operating grants received	277,657	241,162
Proceeds from sale of bonds	277,828	456,741
Operating grants paid	(308,612)	(256,797)
Cost of issuance paid	(2,167)	(3,639)
Principal payments	(425,215)	(336,030)
Interest paid	(78,251)	(86,039)
Net cash provided (used) by non-capital financing activities	(258,760)	15,398
Cash flows from capital and related financing activities:		
Purchases of capital assets	(740)	(141)
Net cash used by capital and related financing activities	(740)	(141)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	99,486	287,825
Purchases of investments	(72,649)	(359,985)
Investment interest received	10,825	10,694
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	10	14
Net cash provided (used) by investing activities	37,672	(61,452)
Net increase (decrease) in cash and cash equivalents	(130,928)	150,716
Cash and cash equivalents, July 1	404,331	253,615
Cash and cash equivalents, June 30	$ 273,403	$ 404,331

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 14,150	$ 2,052
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	309	60
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(14,786)	834
(Increase) in mortgage interest receivable	(538)	(709)
Decrease in first mortgage loans receivable	20,946	109,306
(Increase) decrease in due from federal government	33	(242)
Increase (Decrease) in accounts payable	3,107	(1,258)
Increase in accrued payroll / compensated absences	167	240
Increase in due to primary government	72	-
Increase in arbitrage rebate liability	1,229	-
Investment income (loss) included as operating revenue	(6,346)	4,346
Interest expense included as operating expense	70,390	78,643
Issuance cost included as operating expense	2,167	3,639
Total adjustments	76,750	194,859
Net cash provided by operating activities	$ 90,900	$ 196,911
Noncash investing, capital, and financing activities:		
(Decrease) in fair value of investments	$ (4,336)	$ (14,037)
Total noncash investing, capital, and financing activities	$ (4,336)	$ (14,037)

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 et seq. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state, and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. *Tennessee Code Annotated* Section 13-23-101 et seq. was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the agency’s policy to use the restricted resources first. All significant interfund transactions have been eliminated.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the Bond Reserve Funds.

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

f. Deferred Amount on Refundings and Bond Premiums and Discounts

1. Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

2. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S., public housing bonds secured by contracts with the U.S., direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less collected principal.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2014, the bank balance was $4,872,373. At June 30, 2013, the bank balance was $18,982,252. All bank balances at June 30, 2014, and June 30, 2013, were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury requires the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2014, $4,545,816 was in the BNYM. Of this amount, $4,295,816 exceeded the FDIC insurance coverage. Of the bank balance at June 30, 2013, $18,490,778 was in the BNYM. Of this amount, $18,240,778 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State

Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.treasury.tn.gov.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the par value of total investments must mature within five years. No more than 50% of the par value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2014		June 30, 2013	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$156,546,020	2.713	$183,618,170	2.660
U.S. Treasury Coupon	81,458,618	3.010	85,574,572	3.899
U.S. Agency Discount	185,126,090	0.033	151,647,000	0.051
Total	$423,130,728	1.598	$420,839,742	1.972

The portfolios include the following investments, stated at par or face value, which have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net position.

Variable Rate Bonds

The agency purchased $2,350,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.75 of par on June 11, 2012, and mature on June 11, 2027. The fair value of these securities on June 30, 2014, is $2,221,859, and on June 30, 2013, was $2,186,370, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020; to 4.0% on June 11, 2022; to 6.0% on June 11, 2023; to 7.0% on June 11, 2024; to 8.0% on December 11, 2024; to 10.0% on June 11, 2025; to 12.0% on December 11, 2025; to 14.0% on June 11, 2026; and to 16.0% on December 11, 2026.

The agency purchased $3,210,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on June 28, 2012, and mature on June 27, 2027. The fair value of these securities on June 30, 2014 is $3,110,387, and on June 30, 2013 was $2,990,898, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 28, 2015; to 3.0% on June 28, 2018; to 4.0% on June 28, 2021; to 5.0% on June 28, 2023; and to 6.5% on June 28, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.12 of par on November 15, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2014 is $2,836,416, and on June 30, 2013, was $2,791,110, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016; to 3.0% on June 11, 2020; to 4.0% on June 11, 2022; to 6.0% on June 11, 2023; to 7.0% on June 11, 2024; to 8.0% on December 11, 2024; to 10.0% on June 11, 2025; to

12.0% on December 11, 2025; to 14.0% on June 11, 2026; and to 16.0% on December 11, 2026.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.80 of par on November 8, 2012 and mature on November 8, 2027. The fair value of these securities on June 30, 2014 is $3,712,532, and on June 30, 2013, was $3,678,796, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on November 8, 2017, and to 4.0% on November 8, 2022. This investment is callable quarterly beginning February 8, 2013, and ending November 8, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.45 of par on November 23, 2012, and mature on November 23, 2027. The fair value of these securities on June 30, 2014 is $2,562,837, and on June 30, 2013, was $2,746,311, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.125% on November 23, 2017; to 2.25% on November 23, 2020; to 2.5% on November 23, 2023; to 3.0% on November 23, 2024; to 4.0% on May 23, 2025; to 6.0% on November 23, 2025; to 8.0% on May 23, 2026; to 11.0% on November 23, 2026; and to 14% on May 23, 2027. This investment is callable quarterly beginning May 23, 2013, and ending November 23, 2015.

The agency purchased $2,400,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.65 of par on December 21, 2012 and mature on December 21, 2027. The fair value of these securities on June 30, 2014 is $2,157,096, and on June 30, 2013, was $2,231,131, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on December 21, 2017; to 2.5% on December 21, 2020; to 3.0% on December 21, 2022; to 4.0% on December 21, 2023; to 5.0% on December 21, 2024; to 6.0% on December 21, 2025; to 8.0% on June 21, 2026; to 10.0% on December 21, 2026; and to 12.0% on June 21, 2027. This investment is callable quarterly beginning June 21, 2013, and ending December 21, 2018.

The agency purchased $2,750,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.90 of par on January 30, 2013 and mature on January 30, 2025. The fair value of these securities on June 30, 2014 is $2,646,001, and on June 30, 2013, was $2,612,555, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on January 30, 2018; to 2.5% on January 30, 2021; to 3.0% on January 30, 2022; to 5.0% on January 30, 2023; to 7.0% on July 30, 2023; and to 9.0% on January 30, 2024. This investment is callable quarterly beginning July 30, 2013, and ending October 30, 2016.

The agency purchased $650,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 101.55 of par on September 6, 2012. Although these securities were scheduled to mature on August 26, 2025, these bonds were called on August 26, 2013. The fair value of these securities on June 30, 2013, was $651,348, which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.18 of par on November 7, 2012, and mature on June 28, 2027. The fair value of these securities on June 30, 2014 is $1,482,593, and on June 30, 2013, was $1,426,929, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on June 28, 2017; to 5.0% on June 28, 2024; and to 6.5% on June 28, 2026. This investment is callable quarterly beginning December 28, 2012, and ending December 28, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on August 27, 2012, and mature on August 27, 2027. The fair value of these securities on June 30, 2014 is $1,909,610, and on June 30, 2013, was $1,919,370, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 1.5% with a step-up option to 2.5% on August 27, 2015; to 3.5% on August 27, 2018; to 4.5% on August 27, 2021; and to 5.5% on August 27, 2024. This investment is callable quarterly beginning August 27, 2012, and ending November 27, 2015.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012, and mature on December 27, 2027. The fair value of these securities on June 30, 2014 is $4,759,185, and on June 30, 2013, was $4,694,220, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.0% on June 27, 2013, and to 3.15% on December 27, 2013. This investment is callable quarterly beginning June 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012, and mature on December 27, 2017. The fair value of these securities on June 30, 2014 is $2,995,674, and on June 30, 2013, was $2,945,187, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 0.6% with a step-up option to 0.7% on December 27, 2014; to 1.0% on December 27, 2015; to 1.5% on December 27, 2016; and to 3.0% on June 27, 2017. This investment is callable quarterly beginning December 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 28, 2012, and mature on December 28, 2027. The fair value of these securities on June 30, 2014 is $2,788,104, and on June 30, 2013, was $2,813,145, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on December 28, 2017; to 4.0% on December 28, 2020; to 5.0% on December 28, 2024; and to 6.0% on December 28, 2025. This investment is callable quarterly beginning June 28, 2013, and ending December 28, 2017.

Credit Risk Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1. h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2014, and June 30, 2013, are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2014						
			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AA+**	**A-1**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$156,546,020		$140,991,257		$4,867,772	$10,686,991
U.S. Treasury Coupon	81,458,618	$81,458,618				
U.S. Agency Discount	185,126,090			$160,126,740		24,999,350
Total	$423,130,728	$81,458,618	$140,991,257	$160,126,740	$4,867,772	$35,686,341

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

June 30, 2013						
			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AA+**	**A-1**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$183,618,170		$167,220,366		$5,114,633	$11,283,171
U.S. Treasury Coupon	85,574,572	$85,574,572				
U.S. Agency Discount	151,647,000			$131,647,320		19,999,680
Total	$420,839,742	$85,574,572	$167,220,366	$131,647,320	$5,114,633	$31,282,851

Concentration of Credit Risk   Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than 5% of the agency's investments are invested in the following single issuers:

	June 30, 2014		June 30, 2013	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$222,526,613	52.59	$173,049,950	41.12
Federal Home Loan Mortgage Corp	$0	N/A	$42,892,295	10.19
Federal National Mortgage Assoc.	$81,963,986	19.37	$95,869,861	22.78

NOTE 3. ACCOUNTING CHANGE

During the year ended June 30, 2013, the agency implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

Implementation of GASB 62 did not have any financial reporting impact to the agency. Implementation of GASB 63 required the reclassification of net assets to net position, and it

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

also required the deferred amount on refundings to be classified as a deferred outflow of resources. Implementation of GASB 65 recognizes bond cost of issuance as an expense.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$ -0-	$48,965

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
HOMEOWNERSHIP PROGRAM BONDS					
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	-0-	28,185
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	-0-	38,435
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	31,010	39,070
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	35,955	46,605
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	33,675	43,960
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	31,585	44,500
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	29,610	41,175
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	39,555	49,935
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	42,840	53,755
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	53,980	71,385
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	64,930	81,950
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	72,120	90,360
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	26,695	33,675
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	2,660	11,915
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	32,490	47,790
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	-0-	2,975
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	31,935	36,870
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	48,935	59,395
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	73,055	87,655
2011-1	7/1/2012-7/1/2042	141,255	0.60 to 4.65	108,415	125,005
2012-1	1/1/2013-7/1/2042	133,110	0.80 to 4.50	115,380	127,265
2012-2	7/1/2013-7/1/2043	97,625	0.50 to 4.00	90,490	96,960
Total Homeownership Program Bonds		$2,147,690		$965,315	$1,258,820
Plus: Unamortized Bond Premiums				10,214	14,419
Less: Unamortized Bond Discount				(169)	(218)
Net Homeownership Program Bonds				$975,360	$1,273,021

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.90 to 4.625	$72,555	$83,295
2010-A	1/1/2011-7/1/2041	160,000	0.60 to 5.00	114,125	133,945
2010-B	7/1/2011–7/1/2041	100,000	0.45 to 4.50	82,385	91,245
2011-A	7/1/2011-7/1/2041	100,000	0.45 to 4.50	78,405	90,730
2011-B	7/1/2012-7/1/2041	100,000	0.25 to 4.50	88,890	96,980
2011-C	7/1/2012-7/1/2041	100,000	0.40 to 4.30	90,115	97,020
Total Housing Finance Program Bonds		$660,000		$526,475	$593,215
Plus: Unamortized Bond Premiums				1,357	1,829
Net Housing Finance Program Bonds				$527,832	$595,044

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
RESIDENTIAL FINANCE PROGRAM BONDS					
2013-1	1/1/2014-7/1/2043	$215,905	0.40 to 4.00	$199,900	$215,905
2013-2	7/1/2014-7/1/2043	121,300	0.45 to 4.65	121,300	-0-
2014-1	1/1/2015-7/1/2039	150,000	0.32 to 4.00	150,000	-0-
Total Residential Finance Program Bonds		$487,205		$471,200	$215,905
Plus: Unamortized Bond Premiums				9,906	3,871
Net Residential Finance Program Bonds				$481,106	$219,776
Net Total All Issues				$1,984,298	$2,136,806

Housing Finance Program Bonds The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of $34,710,000. The $34,710,000 was blended with the market rate 2011-C bonds in the amount of $65,290,000 for a total of $100,000,000.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2014, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2015	$139,455	$72,622	$212,077
2016	56,210	70,196	126,406
2017	57,190	68,863	126,053
2018	56,315	67,338	123,653
2019	54,550	65,707	120,257
2020 – 2024	249,355	302,779	552,134
2025 – 2029	278,485	249,077	527,562
2030 – 2034	256,105	194,321	450,426
2035 – 2039	343,460	142,690	486,150
2040 – 2044	471,865	45,677	517,542
Total	$1,962,990	$1,279,270	$3,242,260

c. Redemption of Bonds and Notes

During the year ended June 30, 2014, bonds were retired at par before maturity in the Homeownership Program in the amount of $217,425,000, in the Housing Finance Program in the amount of $60,775,000, and in the Residential Finance Program in the amount of $15,555,000. The respective carrying values of the bonds were $221,007,463, $61,136,292 and $15,821,689. This resulted in revenue to the Homeownership Program of $3,582,463, to the Housing Finance Program of $361,292, and to the Residential Finance Program of $266,689.

On May 30, 2013, the agency issued $215,905,000 in Residential Finance Program Bonds, Issue 2013-1. On July 1, 2013, the agency used $75,905,000 of these bonds to refund bonds previously issued in the Mortgage Finance Program (this amount consists of $47,985,000 early redemption) and Homeownership Program (this amount consists of $27,920,000 early redemption). The carrying amount of these bonds was $75,905,000. The refunding reduced the agency's debt service by $8,688,786 over the next 18 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $9,063,606.

On November 19, 2013, the agency issued $121,300,000 in Residential Finance Program Bonds, Issue 2013-2. On January 1, 2014, the agency used $31,300,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $31,300,000 early redemption). The carrying amount of these bonds was $31,300,000. The refunding increased the agency's debt service by $1,548,956 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,485,956.

During the year ended June 30, 2013, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,235,000, in the Homeownership Program in the amount of $199,355,000, and in the Housing Finance Program in the amount of $31,315,000. The respective carrying values of the bonds were $10,235,000, $202,501,590, and $31,515,181. This resulted in revenue to the Homeownership Program of $3,146,590 and to the Housing Finance Program of $200,181.

On July 19, 2012, the agency issued $133,110,000 in Homeownership Program Bonds, Issue 2012-1. On September 1, 2012, the agency used $43,865,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $43,865,000 early redemption). The carrying amount of these bonds was $43,865,000. The refunding reduced the agency's debt service by $10,700,210 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $6,206,292.

On November 15, 2012, the agency issued $97,625,000 in Homeownership Program Bonds, Issue 2012-2. On January 1, 2013, the agency used $22,625,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $22,625,000 early redemption). The carrying amount of these bonds was $22,625,000. The refunding reduced the agency's debt service by $8,510,283 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $3,758,068.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2014.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Bonds Payable	$2,116,905	$271,300	($425,215)	$1,962,990	$122,690
Plus: Unamortized Bond Premiums	20,119	6,528	(5,170)	21,477	-0-
Less: Unamortized Bond Discounts	(218)	-0-	49	(169)	-0-
Compensated Absences	1,230	-0-	(20)	1,210	587
Escrow Deposits	2,635	558	(973)	2,220	82
Arbitrage Rebate Payable	-0-	1,229	(-0-)	1,229	-0-
Total	$2,140,671	$279,615	($431,329)	$1,988,957	$123,359

The following table is a summary of the long-term liability activity for the year ended June 30, 2013.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Bonds Payable	$2,006,295	$446,640	($336,030)	$2,116,905	$241,320
Plus: Unamortized Bond Premiums	14,280	10,101	(4,262)	20,119	-0-
Less: Unamortized Bond Discounts	(273)	-0-	55	(218)	-0-
Compensated Absences	1,156	74	(-0-)	1,230	600
Escrow Deposits	3,731	1,610	(2,706)	2,635	172
Total	$2,025,189	$458,425	($342,943)	$2,140,671	$242,092

NOTE 5. RESTRICTED NET POSITION

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the Tennessee State and Political Subdivision Employees Pension Plan (TSPSEPP), an agent, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits, as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for TSPSEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 15.03% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012, were $1,739,493, $1,692,847, and $1,632,095. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's board of directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single-family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

NOTE 8. INSURANCE-RELATED ACTIVITIES

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2013, is presented in the *Tennessee Comprehensive Annual Financial Report*. The

CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only other postemployment benefit (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans - the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* Section 8-27-101. Prior to reaching the age of 65, members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation - The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency (see Note 10). The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy - The premium requirements of plan members of the State Employment Group Plan are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan, adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retires 65 years of age or older are provided flat-rate premium subsidies, based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 but less than 30 years of service, $37.50; and retirees with 15 but less than 20 years of service, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2014	June 30, 2013
Annual Required Contribution (ARC)	$345	$362
Interest on the Net OPEB Obligation	52	46
Adjustment to the ARC	(51)	(49)
Annual OPEB cost	346	359
Amount of contribution	(236)	(213)
Increase in Net OPEB Obligation	110	146
Net OPEB Obligation-beginning of year	1,303	1,157
Net OPEB Obligation-end of year	$1,413	$1,303

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2014	State Employee Group Plan	$ 346	68%	$ 1,413
6/30/2013	State Employee Group Plan	$ 359	60%	$ 1,303
6/30/2012	State Employee Group Plan	$ 390	58%	$ 1,157

Funded Status and Funding Progress The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2013, was as follows (thousands):

Actuarial valuation date		7/01/2013
Actuarial accrued liability (AAL)	$	2,964
Actuarial value of plan assets		-0-
Unfunded actuarial accrued liability (UAAL)	$	2,964
Actuarial value of assets as a % of the AAL		0%
Covered payroll (active plan members)	$	9,841
UAAL as a percentage of covered payroll		30%

Actuarial valuations involve estimates of the value of reported amounts and probability assumptions far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Actuarial Methods and Assumptions</u> Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially. The rate decreases to 7% in fiscal year 2015, and then reduces by decrements to an ultimate rate of 4.7% in fiscal year 2044. All rates include a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2014, the State of Tennessee made payments of $4,942 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2013, made payments of $4,715. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. NATIONAL MORTGAGE SETTLEMENT FUNDS

The State of Tennessee received $41,207,810 from the United States Attorney General for the National Mortgage Settlement. In June 2012, the agency received $34,500,000 of the $41,207,810. The agency plans to use those funds to expand the Keep My Tennessee Home financial assistance program to include long-term medical hardships and to provide foreclosure counseling.

NOTE 13. FINAL REDEMPTION / TRANSFER OF ASSETS

a. Final Redemption under Mortgage Finance Program Bonds

During the fiscal year ended June 30, 2014, the agency redeemed all remaining bonds that were issued under the Mortgage Finance Program.

b. Transfer of Assets to General Residential Finance Program Bonds

During the fiscal year ended June 30, 2014, the agency transferred certain assets from the Mortgage Finance Program to the General Residential Program for the purpose of improving the Program Assets to Debt Ratios in the General Residential Finance Program.

NOTE 14. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2014	Homeownership Program		$56,290,000
	Housing Finance Program		9,715,000
	Residential Finance Program		5,415,000
		Total	$71,420,000

b. Residential Finance Program Bonds, Issue 2014-2, were authorized by the Board of directors on July 29, 2014, not to exceed $150,000,000.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

August 1, 2014	Homeownership Program		$13,360,000
	Housing Finance Program		4,610,000
	Residential Finance Program		1,645,000
		Total	$19,615,000

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

September 1, 2014	Homeownership Program		$11,275,000
	Housing Finance Program		4,950,000
	Residential Finance Program		1,685,000
		Total	$17,910,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2014	Homeownership Program		$14,965,000
	Housing Finance Program		6,130,000
	Residential Finance Program		3,175,000
		Total	$24,270,000

f. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

November 1, 2014	Homeownership Program		$12,455,000
	Housing Finance Program		5,015,000
	Residential Finance Program		2,040,000
		Total	$19,510,000

NOTE 15. EVENTS (UNAUDTED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

a. Homeownership Program Bonds, Issue 2014-2, were sold on November 20, 2014. The bond maturities are as follow:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2014-2	7/1/2015-7/1/2045	$150,000	0.250 to 4.000

b. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

December 1, 2014	Homeownership Program		$14,360,000
	Housing Finance Program		5,715,000
	Residential Finance Program		2,705,000
		Total	$22,780,000

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2015	Homeownership Program		$44,900,000
	Housing Finance Program		6,170,000
	Residential Finance Program		5,695,000
			$56,765,000
		Total	

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

February 1, 2015	Homeownership Program		$9,875,000
	Housing Finance Program		4,740,000
	Residential Finance Program		2,465,000
		Total	$17,080,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

March 1, 2015	Homeownership Program		$10,755,000
	Housing Finance Program		5,415,000
	Residential Finance Program		3,755,000
		Total	$19,925,000

f. Homeownership Program Bonds, Issue 2015-1, were authorized by the Board of Directors on March 24, 2015, not to exceed $150,000,000 and sale will occur not later than August 30, 2015.

g. Homeownership Program Bonds, Issue 2015-A, were authorized by the Board of Directors on March 24, 2015, not to exceed 195,000,000 and sale will occur not later than December 31, 2015.

h. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

April 1, 2015	Homeownership Program		$9,010,000
	Housing Finance Program		3,185,000
	Residential Finance Program		2,475,000
		Total	$14,670,000

i. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

May 1, 2015	Homeownership Program		$11,535,0000
	Housing Finance Program		3,725,000
	Residential Finance Program		3,595,000
		Total	$18,855,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%
7/1/2011	State Employee Group Plan	$ -0-	$ 2,919	$ 2,919	0%	$ 9,818	30%
7/1/2013	State Employee Group Plan	$ -0-	$ 2,964	$ 2,964	0%	$ 9,841	30%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 13,030	$ 10,582	$ 105,031	$ 35,259	$ 101,156	$ 265,058
Investments	-	682	9,175	4,478	2,671	17,006
Receivables:						
Accounts	3	391	21,334	8,364	2,849	32,941
Interest	29	254	7,746	3,850	2,017	13,896
First mortgage loans	5	145	29,002	10,636	12,299	52,087
Due from federal government	19,668	-	-	-	-	19,668
Due from other funds	7,122	20	-	-	-	7,142
Prepaid expenses	6	-	-	-	-	6
Total current assets	39,863	12,074	172,288	62,587	120,992	407,804
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	4,469	-	2,734	297	845	8,345
Investments	-	-	154,344	20,304	14,659	189,307
Investment Interest receivable	-	-	1,486	104	99	1,689
Investments	-	2,022	8,058	7,792	28,820	46,692
First mortgage loans receivable	1,184	43,689	948,669	492,034	428,637	1,914,213
Advance to local government	3,062	-	-	-	-	3,062
Capital assets:						
Furniture and equipment	1,437	-	-	-	-	1,437
Less accumulated depreciation	(811)	-	-	-	-	(811)
Total noncurrent assets	9,341	45,711	1,115,291	520,531	473,060	2,163,934
Total assets	49,204	57,785	1,287,579	583,118	594,052	2,571,738
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	-	337	-	913	1,250
Total deferred outflows of resources	-	-	337	-	913	1,250
LIABILITIES						
Current liabilities:						
Accounts payable	5,405	4	44	24	278	5,755
Accrued payroll and related liabilities	612	-	-	-	-	612
Compensated absences	587	-	-	-	-	587
Due to primary government	72	-	-	-	-	72
Interest payable	-	-	20,918	9,336	6,248	36,502
Escrow deposits	-	82	-	-	-	82
Prepayments on mortgage loans	-	5	684	300	304	1,293
Due to federal government	4,314	-			-	4,314
Due to other funds	-	-	7,142	-	-	7,142
Bonds payable	-	-	87,865	22,860	11,965	122,690
Total current liabilities	10,990	91	116,653	32,520	18,795	179,049
Noncurrent liabilities:						
Bonds payable	-	-	887,495	504,972	469,141	1,861,608
Compensated absences	623	-	-	-	-	623
Net OPEB obligation	1,413	-	-	-	-	1,413
Escrow deposits	272	544	-	-	1,322	2,138
Arbitrage rebate payable	-	-	1,229	-	-	1,229
Total noncurrent liabilities	2,308	544	888,724	504,972	470,463	1,867,011
Total liabilities	13,298	635	1,005,377	537,492	489,258	2,046,060
NET POSITION						
Net investment in capital assets	626	-	-	-	-	626
Restricted for single family bond programs	-	128	282,539	45,626	105,707	434,000
Restricted for grant programs	-	12,752	-	-	-	12,752
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Unrestricted	32,127	44,270	-	-	-	76,397
Total net position	$ 35,906	$ 57,150	$ 282,539	$ 45,626	$ 105,707	$ 526,928

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	$ 65	$ 1,565	$ 60,536	$ 26,424	$ 13,518	$ 102,108
Investment income:						
Interest	34	1,283	8,287	743	335	10,682
Net increase (decrease) in the fair value of investments	-	(618)	(3,718)	146	(146)	(4,336)
Federal grant administration fees	16,556	-	-	-	-	16,556
Fees and other income	2,322	149	-	-	-	2,471
Total operating revenues	18,977	2,379	65,105	27,313	13,707	127,481
OPERATING EXPENSES						
Salaries and benefits	16,578	-	-	-	-	16,578
Contractual services	5,973	-	-	-	-	5,973
Materials and supplies	1,250	-	-	-	-	1,250
Rentals and insurance	94	-	-	-	-	94
Other administrative expenses	527	-	-	-	-	527
Other program expenses	3,993	719	3,433	494	239	8,878
Interest expense	-	814	41,649	18,840	9,087	70,390
Mortgage service fees	-	184	4,109	1,892	980	7,165
Issuance costs	-	-	-	-	2,167	2,167
Depreciation	309	-	-	-	-	309
Total operating expenses	28,724	1,717	49,191	21,226	12,473	113,331
Operating income (loss)	(9,747)	662	15,914	6,087	1,234	14,150
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	295,814	-	-	-	-	295,814
Federal grants expenses	(292,523)	-	-	-	-	(292,523)
Local grants expenses	(12,855)	-	(4,125)	-	-	(16,980)
Total nonoperating revenues (expenses)	(9,564)	-	(4,125)	-	-	(13,689)
Income (loss) before transfers	(19,311)	662	11,789	6,087	1,234	461
Transfers (to) other funds	-	(129,308)	(51,950)	(6,196)	-	(187,454)
Transfers from other funds	14,702	-	-	-	172,752	187,454
Change in net position	(4,609)	(128,646)	(40,161)	(109)	173,986	461
Total net position, July 1	40,515	185,796	322,700	45,735	(68,279)	526,467
Total net position, June 30	$ 35,906	$ 57,150	$ 282,539	$ 45,626	$ 105,707	$ 526,928

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	$ 194	$ 7,413	$ 222,358	$ 75,814	$ 29,174	$ 334,953
Receipts from federal government	16,589	-	3	-	-	16,592
Receipts from other funds	2,213	10	-	-	-	2,223
Other miscellaneous receipts	2,322	149	-	-	-	2,471
Acquisition of mortgage loans	-	(5,866)	(1,614)	(1,139)	(218,677)	(227,296)
Payments to service mortgages	-	(184)	(4,109)	(1,892)	(980)	(7,165)
Payments to suppliers	(8,499)	(719)	(2,220)	(497)	-	(11,935)
Payments to other funds	-	-	(2,223)	-	-	(2,223)
Payments to employees	(16,720)	-	-	-	-	(16,720)
Net cash provided (used) by operating activities	(3,901)	803	212,195	72,286	(190,483)	90,900
Cash flows from non-capital financing activities:						
Operating grants received	277,657	-	-	-	-	277,657
Transfers in (out)	14,702	(42,143)	47,097	(6,196)	(13,460)	-
Proceeds from sale of bonds	-	-	-	-	277,828	277,828
Operating grants paid	(304,487)	-	(4,125)	-	-	(308,612)
Cost of issuance paid	-	-	-	-	(2,167)	(2,167)
Principal payments	-	(48,965)	(293,505)	(66,740)	(16,005)	(425,215)
Interest paid	-	(1,249)	(52,825)	(20,405)	(3,772)	(78,251)
Net cash provided (used) by non-capital financing activities	(12,128)	(92,357)	(303,358)	(93,341)	242,424	(258,760)
Cash flows from capital and related financing activities:						
Purchases of capital assets	(740)	-	-	-	-	(740)
Net cash used by capital and related financing activities	(740)	-	-	-	-	(740)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	40,403	53,402	13,342	28,185	135,332
Purchases of investments	-	(10,686)	(35,711)	(10,260)	(51,838)	(108,495)
Investment interest received	34	1,278	8,495	796	222	10,825
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	5	-	5	10
Net cash provided (used) by investing activities	34	30,995	26,191	3,878	(23,426)	37,672
Net increase (decrease) in cash and cash equivalents	(16,735)	(60,559)	(64,972)	(17,177)	28,515	(130,928)
Cash and cash equivalents, July 1	34,234	71,141	172,737	52,733	73,486	404,331
Cash and cash equivalents, June 30	$ 17,499	$ 10,582	$ 107,765	$ 35,556	$ 102,001	$ 273,403

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (9,747)	$ 662	$ 15,914	$ 6,087	$ 1,234	$ 14,150
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	309	-	-	-	-	309
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(2)	498	(7,381)	(5,067)	(2,834)	(14,786)
(Increase) decrease in mortgage interest receivable	(15)	572	1,252	(428)	(1,919)	(538)
(Increase) decrease in first mortgage loans receivable	156	685	166,314	53,691	(199,900)	20,946
Decrease in due from federal government	33	-	-	-	-	33
Decrease in interfund receivables	2,213	10	-	-	-	2,223
(Decrease) in interfund payables	-	-	(2,223)	-	-	(2,223)
Increase (decrease) in accounts payable	2,947	(1,773)	10	52	1,871	3,107
Increase in accrued payroll / compensated absences	167	-	-	-	-	167
Increase in due to primary government	72	-	-	-	-	72
Increase in arbitrage rebate liability	-	-	1,229	-	-	1,229
Investment income included as operating revenue	(34)	(665)	(4,569)	(889)	(189)	(6,346)
Interest expense included as operating expense	-	814	41,649	18,840	9,087	70,390
Issuance cost included as operating expense	-	-	-	-	2,167	2,167
Total adjustments	5,846	141	196,281	66,199	(191,717)	76,750
Net cash provided (used) by operating activities	$ (3,901)	$ 803	$ 212,195	$ 72,286	$ (190,483)	$ 90,900
Noncash investing, capital, and financing activities:						
Increase (decrease) in fair value of investments	$ -	$ (618)	$ (3,718)	$ 146	$ (146)	$ (4,336)
Total noncash investing, capital, and financing activities	$ -	$ (618)	$ (3,718)	$ 146	$ (146)	$ (4,336)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION - MORTGAGE FINANCE PROGRAM
JUNE 30, 2014
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ (2)	$ 10,446	$ 10,444	$ 138	$ 10,582
Investments	-	627	627	55	682
Receivables:					
Accounts	-	386	386	5	391
Interest	33	220	253	1	254
First mortgage loans	-	145	145	-	145
Due from other funds	-	20	20	-	20
Total current assets	31	11,844	11,875	199	12,074
Noncurrent assets:					
Restricted assets:					
Investments	-	1,567	1,567	455	2,022
First mortgage loans receivable	-	43,689	43,689	-	43,689
Total noncurrent assets	-	45,256	45,256	455	45,711
Total assets	31	57,100	57,131	654	57,785
LIABILITIES					
Current liabilities:					
Accounts payable	2	2	4	-	4
Escrow deposits	-	-	-	82	82
Prepayments on mortgage loans	3	2	5	-	5
Total current liabilities	5	4	9	82	91
Noncurrent liabilities:					
Escrow deposits	-	99	99	445	544
Total noncurrent liabilities	-	99	99	445	544
Total liabilities	5	103	108	527	635
NET POSITION					
Restricted for single family bond programs	-	1	1	127	128
Restricted for grant programs	-	12,752	12,752	-	12,752
Unrestricted	26	44,244	44,270	-	44,270
Total net position	$ 26	$ 56,997	$ 57,023	$ 127	$ 57,150

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

December 31, 2014

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

December 31, 2014
(with comparative totals as of December 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
ASSETS							
Current assets:							
Cash and cash equivalents	$ 2,581	$ 2,697	$ 101,219	$ 37,272	$ 113,061	$ 256,830	$ 207,160
Investments	-	681	-	275	16,043	16,999	90
Receivables:							
Accounts	3	474	19,942	9,288	2,684	32,391	32,251
Interest	5	38	7,154	3,613	2,941	13,751	14,053
First mortgage loans	6	158	26,979	10,305	15,566	53,014	51,866
Due from federal government	20,206	-	-	-	-	20,206	14,624
Due from other funds	2,026	-	-	-	39	2,065	2,065
Prepaid Expenses	10	-	-	-	-	10	-
Total current assets	24,837	4,048	155,294	60,753	150,334	395,266	322,109
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	23,096	-	1,711	2,511	511	27,829	10,546
Investments	-	-	147,381	18,400	19,587	185,368	189,394
Investment interest receivable	-	-	1,468	103	66	1,637	1,751
Investments	-	2,021	199	2,442	37,180	41,842	50,643
First mortgage loans receivable	881	46,751	845,268	458,046	548,562	1,899,508	1,942,091
Advance to local government	3,073	-	-	-	-	3,073	3,046
Capital assets:							
Furniture and equipment	1,437	-	-	-	-	1,437	697
Less accumulated depreciation	(812)	-	-	-	-	(812)	(503)
Total noncurrent assets	27,675	48,772	996,027	481,502	605,906	2,159,882	2,197,665
Total assets	52,512	52,820	1,151,321	542,255	756,240	2,555,148	2,519,774
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amount on refundings	-	-	265	-	851	1,116	1,362
Total deferred outflows of resources	-	-	265	-	851	1,116	1,362
LIABILITIES							
Current liabilities:							
Accounts payable	$ 59	$ 2	$ -	$ -	$ -	$ 61	$ 3
Compensated absences	590	-	-	-	-	590	523
Due to federal government	22,497	-	-	-	-	22,497	6,086
Interest payable	-	-	18,176	8,720	8,522	35,418	36,242
Escrow deposits	-	105	-	-	-	105	45
Prepayments on mortgage loans	-	-	632	285	389	1,306	1,300
Due to other funds	-	-	2,065	-	-	2,065	2,065
Bonds payable	-	-	76,105	19,650	16,230	111,985	78,825
Total current liabilities	23,146	107	96,978	28,655	25,141	174,027	125,089
Noncurrent liabilities:							
Bonds payable	-	-	774,742	471,797	603,513	1,850,052	1,867,219
Compensated absences	540	-	-	-	-	540	561
Net OPEB obligation	1,413	-	-	-	-	1,413	1,303
Escrow deposits	207	500	-	-	1,530	2,237	2,086
Arbitrage rebate payable	-	-	1,229	-	-	1,229	-
Total noncurrent liabilities	2,160	500	775,971	471,797	605,043	1,855,471	1,871,169
Total liabilities	25,306	607	872,949	500,452	630,184	2,029,498	1,996,258
NET POSITION							
Net investment in capital assets	626	-	-	-	-	626	195
Restricted for single family bond programs	-	130	278,637	41,803	126,907	447,477	475,304
Restricted for grant programs	-	16,883	-	-	-	16,883	14,362
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153	3,154
Unrestricted	23,427	35,200	-	-	-	58,627	31,863
Total net position	$ 27,206	$ 52,213	$ 278,637	$ 41,803	$ 126,907	$ 526,766	$ 524,878

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

	For the Six Months Ended December 31, 2014 (with comparative totals for the six months ended December 31, 2013)						
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
OPERATING REVENUES							
Mortgage interest income	$ 21	$ 55	$ 25,576	$ 12,301	$ 11,612	$ 49,565	$ 51,915
Investment income:							
Interest	12	18	4,002	345	882	5,259	5,383
Net increase (decrease) in the fair value of investments	-	(8)	(1,076)	359	(105)	(830)	(2,966)
Federal grant administration fees	7,414	-	-	-	-	7,414	8,393
Fees and other income	459	18	-	-	37	514	1,129
Total operating revenues	7,906	83	28,502	13,005	12,426	61,922	63,854
OPERATING EXPENSES							
Salaries and benefits	8,032	-	-	-	-	8,032	8,169
Contractual services	3,255	-	1	3	-	3,259	3,159
Materials and supplies	540	-	-	-	-	540	1,221
Rentals and insurance	27	-	-	-	-	27	57
Other administrative expenses	211	-	-	-	-	211	225
Other program expenses	1,709	98	1,368	357	454	3,986	3,347
Interest expense	-	-	17,203	8,702	7,596	33,501	35,506
Mortgage service fees	-	40	1,721	897	932	3,590	3,521
Issuance costs	-	-	-	-	1,108	1,108	888
Total operating expenses	13,774	138	20,293	9,959	10,090	54,254	56,093
Operating income (loss)	(5,868)	(55)	8,209	3,046	2,336	7,668	7,761
NONOPERATING REVENUES (EXPENSES)							
Federal grants revenue	146,631	-	-	-	-	146,631	128,023
Federal grants expenses	(146,803)	(208)	-	-	-	(147,011)	(127,513)
Local grants expenses	(7,450)	-	-	-	-	(7,450)	(9,860)
Total nonoperating revenues (expenses)	(7,622)	(208)	-	-	-	(7,830)	(9,350)
Income (loss) before transfers	(13,490)	(263)	8,209	3,046	2,336	(162)	(1,589)
Transfers (to) other funds	-	(4,674)	(12,110)	(6,869)	-	(23,653)	(106,427)
Transfers from other funds	4,789	-	-	-	18,864	23,653	106,427
Change in net position	(8,701)	(4,937)	(3,901)	(3,823)	21,200	(162)	(1,589)
Total net position, July 1	35,907	57,150	282,538	45,626	105,707	526,928	526,467
Total net position, End of period	$ 27,206	$ 52,213	$ 278,637	$ 41,803	$ 126,907	$ 526,766	$ 524,878

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2014
(with comparative totals for the six months ended December 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
Cash flows from operating activities:							
Receipts from customers	$ 272	$ 1,974	$ 99,189	$ 45,903	$ 31,748	$ 179,086	$ 252,683
Receipts from federal government	7,448	-	-	-	-	7,448	8,335
Receipts from other funds	5,096	20	-	-	-	5,116	7,303
Other miscellaneous receipts	459	18	-	-	37	514	1,129
Acquisition of mortgage loans	-	(5,050)	-	-	(109,897)	(114,947)	(144,272)
Payments to service mortgages	-	(40)	(1,721)	(897)	(932)	(3,590)	(3,521)
Payments to suppliers	(9,442)	(100)	(1,397)	(383)	(732)	(12,054)	(86,963)
Payments to federal government	-	-	(16)	(1)	-	(17)	-
Payments to other funds	-	-	(5,077)	-	(39)	(5,116)	(7,303)
Payments to employees	(8,857)	-	-	-	-	(8,857)	(8,979)
Net cash provided (used) by operating activities	(5,024)	(3,178)	90,978	44,622	(79,815)	47,583	18,412
Cash flows from non-capital financing activities:							
Operating grants received	164,243	-	-	-	-	164,243	116,773
Transfers in (out)	4,789	(4,674)	21,613	(6,869)	(14,859)	-	-
Proceeds from sale of bonds	-	-	-	-	155,941	155,941	124,469
Operating grants paid	(155,842)	(208)	-	-	-	(156,050)	(138,072)
Cost of issuance paid	-	-	-	-	(1,108)	(1,108)	(888)
Principal payments	-	-	(122,705)	(36,135)	(16,665)	(175,505)	(312,140)
Interest paid	-	-	(21,681)	(9,568)	(5,900)	(37,149)	(41,709)
Net cash provided (used) by non-capital financing activities	13,190	(4,882)	(122,773)	(52,572)	117,409	(49,628)	(251,567)
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	-	2,000	59,021	20,445	23,450	104,916	74,279
Purchases of investments	-	(2,006)	(36,102)	(8,630)	(50,223)	(96,961)	(33,185)
Investment interest received	12	181	4,040	361	742	5,336	5,434
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	1	1	8	10	2
Net cash provided (used) by investing activities	12	175	26,960	12,177	(26,023)	13,301	46,530
Net increase (decrease) in cash and cash equivalents	8,178	(7,885)	(4,835)	4,227	11,571	11,256	(186,625)
Cash and cash equivalents, July 1	17,499	10,582	107,765	35,556	102,001	273,403	404,331
Cash and cash equivalents, End of period	$ 25,677	$ 2,697	$ 102,930	$ 39,783	$ 113,572	$ 284,659	$ 217,706

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

	For the Six Months Ended December 31, 2014 (with comparative totals for the six months ended December 31, 2013)						
	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	$ (5,868)	$ (55)	$ 8,209	$ 3,046	$ 2,336	$ 7,668	$ 7,761
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	-	(83)	1,392	(924)	165	550	(14,096)
(Increase) decrease in mortgage interest receivable	24	53	572	222	(750)	121	(666)
(Increase) decrease in first mortgage loans receivable	292	(3,075)	71,701	34,319	(89,469)	13,768	(6,694)
(Increase) decrease in due from federal government	34	-	-	-	-	34	(58)
Decrease in interfund receivables	5,096	20	-	-	-	5,116	7,303
(Decrease) in interfund payables	-	-	(5,077)	-	(39)	(5,116)	(7,303)
Increase (decrease) in accounts payable	(3,826)	(28)	(96)	(39)	15	(3,974)	(1,132)
(Decrease) in accrued payroll / compensated absences	(692)	-	-	-	-	(692)	(680)
(Decrease) in due to primary government	(72)	-	-	-	-	(72)	-
Investment income included as operating revenue	(12)	(10)	(2,926)	(704)	(777)	(4,429)	(2,417)
Interest expense included as operating expense	-	-	17,203	8,702	7,596	33,501	35,506
Issuance cost included as operating expense	-	-	-	-	1,108	1,108	888
Total adjustments	844	(3,123)	82,769	41,576	(82,151)	39,915	10,651
Net cash provided (used) by operating activities	$ (5,024)	$ (3,178)	$ 90,978	$ 44,622	$ (79,815)	$ 47,583	$ 18,412
Noncash investing, capital, and financing activities:							
Increase (decrease) in fair value of investments	-	(2)	(1,508)	264	(20)	(1,266)	(13,495)
Total noncash investing, capital, and financing activities	$ -	$ (2)	$ (1,508)	$ 264	$ (20)	$ (1,266)	$ (13,495)

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution must be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the “Working Agreements”). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA’s security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA’s rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent’s privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the “O. A. Guide”), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank and Magna Bank (the “Servicers”) to service Program Loans (the “Servicing Agreements”). U.S. Bank services approximately 83% of THDA’s entire portfolio of mortgage loans. Magna Bank services the remainder. THDA itself is also permitted to service Program Loans on limited basis. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA.

The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX D

2009 GENERAL RESOLUTION

This Appendix D includes the General Housing Finance Program Bond Resolution (the "2009 General Resolution") adopted by the THDA Board of Directors on November 19, 2009, as amended

TENNESSEE HOUSING DEVELOPMENT AGENCY

General Housing Finance Resolution

Adopted November 19, 2009,
As Amended

ARTICLE I
SHORT TITLE, DEFINITIONS AND INTERPRETATION

ARTICLE II
TERMS OF BONDS

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

ARTICLE IV
APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

ARTICLE V
FUNDS

ARTICLE VI
REDEMPTION OF BONDS

ARTICLE VII
PARTICULAR COVENANTS

ARTICLE VIII
SUPPLEMENTAL RESOLUTIONS

ARTICLE IX
AMENDMENTS

ARTICLE X
DEFAULTS AND REMEDIES

ARTICLE XI
CONCERNING THE FIDUCIARIES

ARTICLE XII
DEFEASANCE MISCELLANEOUS PROVISIONS

General Housing Finance Bond Resolution

***BE IT RESOLVED** by the Board of Directors of THDA as follows:*

ARTICLE I

SHORT TITLE, DEFINITIONS AND INTERPRETATION

Section 1.1. Short Title. This resolution may hereafter be cited by THDA and is hereinafter sometimes referred to as the "General Housing Finance Program Bond Resolution."

Section 1.2. Definitions. In this Resolution, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means one or more, as the case may be, of the Accounts established pursuant to this Resolution.

"*Accountant*" means the department of audit in the office of the Comptroller of the Treasury of the State and such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected in accordance with T.C.A. and Section 13-23-125 or other applicable laws and as may be satisfactory to the Trustee and may be the accountant or firm of accountants who regularly audit the books and accounts of THDA.

"*Act*" means the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, Sections 13-23-01 et seq., as amended.

"*Aggregate Debt Service*" means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

"*Appreciation Bond*" means any Bond whose Issue Amount is less than 97.5% of the Maturity Amount.

"*Authenticating Agent*" means a bank or trust company within or outside the State which has been appointed "Authenticating Agent" pursuant to Section 11.1(C).

"*Authorized Officer*" means the Chairman and Executive Director of THDA's and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of THDA's then authorized to perform such act or discharge such duty.

"*Bond" or "Bonds"* means any Housing Finance Program Bond authenticated and delivered under this Resolution and issued under a Supplemental Resolution.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by THDA.

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond means the registered owner of any Outstanding Bond.

"*Bond Reserve Fund*" means the Bond Reserve Fund established pursuant to Section 5.1.

"*Bond Reserve Fund Requirement*" means, as of any date of calculation the greater of (i) an amount equal to the aggregate of the respective amounts for each Series of Bonds established in the Supplemental Resolution authorizing such Series or (ii) an amount equal to 3% of the then current balance of Program Loans plus any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Resolution or (ii) the report of an accountant as to audit or other procedures called for by this Resolution.

"*Compounded Amount*" means, as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by THDA in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to Section 2.6, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to Section 2.6. Any determination of Compounded Amount shall assume semi-annual compounding on each January 1 and July 1, straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to THDA" and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Debt Service*" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"*Depositary*" means the State Treasurer or any bank or trust company or national banking association selected by THDA or the Trustee as a Depositary of moneys or securities held under the provisions of this Resolution and may include the Trustee or any Paying Agent.

"*Escrow Fund*" means the Escrow Fund established pursuant to Section 5.1.

"Estimated Annual Program Loan Loss Amount" means, with respect to any Fiscal Year, the aggregate of the amount, if any, established for a Series of Bonds Series at the time of delivery of such Series pursuant to Section 2.6(6) as necessary to be accumulated in such Fiscal Year to provide an appropriate reserve against loan losses.

"*Event of Default*" means any of the events specified in Section 10.1.

"*Fiduciary*" means the Trustee, the Authenticating Agent and any Paying Agent, or any or all of them as may be appropriate.

"*Final Compounding Date*" means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year.

"*Fund*" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"*Interest Payment Date*" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"*Internal Rate of Return*" when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to Section 2.6 and compounded semi-annually, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Investment Securities*" means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof when such obligations are backed by the full faith and credit of the United States of America, including, but are not limited to:

- All direct or fully guaranteed United States Treasury;

- Certificates of beneficial ownership issued by the Farmers Home Administration;

- Participation certificates issued by General Services Administration;

- U.S. Maritime Administration guaranteed Title XI financing;

- Guaranteed participation certificates and guaranteed pool certificates issued by the Small Business Administration;

- GNMA-guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates issued by the Government National Mortgage Association (GNMA);

- Local authority bonds of the United States Department of Housing and Urban Development;

- Washington Metropolitan Area Transit Authority guaranteed transit bonds; and

- All fully guaranteed obligations of the United States Export-Import Bank;

(2) Federal Housing Administration debentures;

(3) Obligations of the following government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Participation certificates (those which are guaranteed as to timely payment of principal) and Senior debt obligations of Federal Home Loan Mortgage Corp. (FHLMC)

- Consolidated systemwide bonds and notes of the Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Co-operatives)

- Consolidated debt obligations of the Federal Home Loan Banks (FHL Banks)

- Senior debt obligations and Mortgage-backed securities (excluding interest only stripped mortgage securities which are valued greater than par on the portion of unpaid principal) issued by Federal National Mortgage Association (FNMA);

- Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and Letter of Credit (LOC)-backed issues issued by Student Loan Marketing Association (SLMA);

- Debt obligations issued by Financing Corp. (FICO);

- Debt obligations issued by Resolution Funding Corp. (REFCORP);

(4) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances (having maturities of not more than 365 days) of any bank, the short-term obligations of which are rated at least "A-1" by S&P and "P-1" by Moody's;

(5) Deposits which are fully insured by the Federal Deposit Insurance Corp. (FDIC);

(6) Debt obligations rated at least "AA" by S&P and "Aa" by Moody's (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(7) Commercial paper rated at least "A-1" by S&P and "P-1" by Moody's maturing not more than 365 days;

(8) Investment in money market funds rated at least “AAm” or “AAm-G” by S&P and “Aaa” by Moody’s;

(9) Repurchase agreements and investment agreements with any financial institution with long-term unsecured debt rated at least “AA” by S&P and “Aa” by Moody’s or commercial paper rated at least “A-1” by S&P and “P-1” by Moody’s;

(10) Stripped securities:

(i) U.S. Treasury STRIPS,

(ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York), and

(iii) Any stripped securities assessed or rated at least “AA” by S&P and “Aa” by Moody’s; and

(11) Any other investments which would not adversely affect the then current rating assigned to the Bonds, as confirmed in writing by S&P and Moody’s.

“*Issuance Amount*” means the price, exclusive of accrued interest (if any) which is payable on a semi-annual basis, at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter’s compensation, commissions, placement agent’s fees, concessions, Agency costs of issuance, or similar costs.

“*Loan Fund*” means the Loan Fund established in Section 5.1.

“*Maturity Amount*” means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on a semi-annual basis.

“*Non-Mortgage Receipts*” means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund, but shall not include Revenues.

“*Non-Mortgage Receipts Account*” means the Non-Mortgage Receipts Account established in the Revenue Fund pursuant to this Resolution.

“*Outstanding*,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(13), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

“*Paying Agent*” means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"*Permitted Encumbrances*" means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to THDA, indemnity has been provided or similar steps to secure the interest of THDA have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as THDA shall determine do not impair the use or value of the premises.

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in subsection 5.3(D), of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"*Program*" means the various programs for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such programs are financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"*Program Expenses*" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"*Program Guidelines*" means the Program Guidelines adopted by THDA for the Program as in effect on the date of adoption of this Resolution and as revised, amended, altered or supplemented from time to time in accordance with the Act.

"*Program Loan*" means any obligation, including a participation interest therein, acquired by THDA by the expenditure of amounts in the Loan Fund. If authorized by a Supplemental Resolution, the term "Program Loan" shall also include a security backed by a pool of Program Loans satisfying any conditions as may be set forth in such Supplemental Resolution.

"*Program Loan Loss Coverage*" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"*Projected Cash Flow Statement*" means a Certificate delivered pursuant to the provisions of Section 7.11.

"*Rating Agency*" means any nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of THDA; initially, Moody's Investors Service.

"*Redemption Account*" means the Redemption Account which is established and created in the Revenue Fund pursuant to this Resolution.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to this Resolution.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bond*" means any Bond authenticated and delivered on original issuance pursuant to Section 2.7 or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to this Resolution.

"*Resolution*" *means* this Resolution and any amendments or supplements made in accordance with its terms.

"*Revenue Fund*" means the Revenue Fund established pursuant to Section 5.1.

"*Revenues*" means, upon receipt thereof by THDA, all payments proceeds, rents, charges and other cash income received by THDA from or on account of any Program Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, principal and interest on any Program Loan), together with any amounts received by THDA as a result of any certification pursuant to Section 7.16, but excludes (i) any amount retained by a servicer [(other than THDA)] of any Program Loan as compensation for services rendered in connection with such Program Loan, (ii) any payments for the guaranty or insurance of any Program Loan, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Loan and (iv) payments or charges constituting construction performance or completion reserves required pursuant to a Program Loan.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

"*State*" means the State of Tennessee.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of this Resolution, adopted by THDA and effective in accordance with Article VIII.

"*Supplemental Revenue Amount*" means, for each semi-annual period, the aggregate of the amounts designated as such for each Series in the Projected Cash Flow Statement delivered pursuant to subsection 2.6(6).

"*THDA"* means the Tennessee Housing Development Agency, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of THDA.

"*Trustee*" means U.S. Bank National Association, the Trustee appointed as provided in Section 11.1 and its successor or successors and any other person at any time substituted in its place pursuant to this Resolution.

Section 1.3. Interpretation. (A) In this Resolution, unless the context otherwise requires:

(1) the terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution, and the term "heretofore" means before, and the term "hereafter" means after, the date of adoption of this Resolution;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(5) if at any time there shall be one person who shall be the holder of all of the Outstanding Bonds and the consent of the Trustee shall be required, the consent of such person shall be required in lieu of the consent of the Trustee, unless such person shall have been notified and shall not have consented within a reasonable period of time;

(6) this Resolution shall be governed by and construed in accordance with the applicable laws of the State;

(7) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of said Bond;

(8) the date upon which any Sinking Fund Payment is required to be paid pursuant to this Resolution and the provisions of the Bonds of each Series shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(9) the verb “finance”, when used with reference to a Program Loan, shall be construed to include (i) the making or purchase of such Program Loan (ii) the participation by THDA, either with itself or with others, in the making or purchase thereof or (iii) the permanent financing of a Program Loan which has been temporarily financed by THDA through the issuance of notes or other obligations or otherwise;

(10) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon;

(11) any moneys, documents, securities, obligations or other items received by the Trustee or a Depositary pursuant to the terms of this Resolution shall be deemed to have been received by THDA;

(12) any reference in this Resolution to principal or interest on bonds which is payable on a certain date or during a certain period of time is reference to an amount payable on such date or during such period and does not include the obligation to pay any principal or interest after such date or period;

(13) any reference to the principal amount of Bonds shall be the Maturity Amount or the Compounded Amount thereof as of any particular date of computation in the case of Appreciation Bonds and shall mean the amount, irrespective of semi-annual interest, payable upon the maturity of any Bond which is not an Appreciation Bond;

(14) references to “semi-annual” payments of interest or compounding of yield refer to payment or compounding on January 1 and July 1 of each year; and

(15) the “Compounded Amount” of an Appreciation Bond represents an accrual of the principal amount thereof payable at maturity and does not represent interest thereon, except that, for purposes of determining the Redemption Price of a Bond, the priority of payments under Section 10.3 and the required principal amount in connection with approvals and consents of Bondholders pursuant to this resolution, any increase in the Compounded Amount occurring since the most recent Interest Payment Date shall be treated as if it were interest.

(B) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than THDA, the Fiduciaries and the holders of the Bonds (and of the coupons, if any, thereunto appertaining), any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of THDA, shall be for the sole and exclusive benefit of THDA, the Fiduciaries and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of THDA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.1. Authorization for Resolution and Bonds. This Resolution and the issuance of Bonds hereunder have been duly authorized by THDA and the principal amount of Bonds that may be issued hereunder is not limited except as provided herein or by law. THDA has ascertained and it is hereby determined and declared that the adoption of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of THDA in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the purposes of THDA under the Act.

Section 2.2. Resolution to Constitute Contract. Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of THDA with the holders of Bonds and shall be deemed to be and shall constitute a contract among THDA, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of THDA shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

Section 2.3. Obligation of Bonds. (A) This Resolution creates an issue of Bonds of THDA and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest on such Bonds, including any Sinking Fund Payments for the retirement thereof. The Bonds shall be special, limited obligations of THDA payable from the revenues and assets pledged therefor pursuant to this Resolution. The Bonds shall not be deemed to constitute a debt, liability, or obligations of the State or any other political subdivision thereof, nor a pledge of the full faith and credit of the State or any other political subdivision thereof. The Bonds shall contain on their face a statement that neither the State nor any political subdivision thereof shall be obligated to pay the Bonds or the interest thereon except from such revenues and assets and that neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal thereof or the interest thereon.

(B) The Revenues and Non-Mortgage Receipts, including interest earned or gain realized in excess of losses as a result of the investment of amounts on deposit in the Escrow Fund, and all amounts held in any Fund or Account other than amounts held in the Escrow Fund, including investments thereof, are hereby pledged to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. In addition, subject to the provisions of subsection 10.2(D), THDA hereby pledges and assigns, to secure the payment of the Bonds, all right, title and interest of THDA in and to the Program Loans, including any extensions and renewals thereof. To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice hereof.

Section 2.4. Authorization of Bonds. In order to provide sufficient funds for the operation of the Program or for the refunding of Bonds, bonds of THDA are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided by law. No Bonds shall be issued unless they are part of an issue described in a Supplemental Resolution and until the conditions contained in Section 2.6 or, in the case of Refunding Bonds, Section 2.7 are satisfied.

Section 2.5. Issuance and Delivery of Bonds. After their authorization by THDA, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee or the Authenticating Agent, as appropriate, for authentication and, upon compliance by THDA with the requirements of Section 2.6 and, in the case of Refunding Bonds, Section 2.7, the Trustee or the Authenticating Agent, as appropriate, shall thereupon authenticate and deliver such Bonds to or upon the order of THDA. If an Authenticating Agent has been appointed, then the Authenticating Agent and not the Trustee shall authenticate and deliver the Bonds. If no Authenticating Agent has been appointed, then the Trustee shall authenticate and deliver the Bonds.

Section 2.6. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be executed by THDA for issuance and delivered to the Trustee or Authenticating Agent, as appropriate, and thereupon shall be authenticated by the Trustee or the Authenticating Agent and delivered to THDA or upon its order, but only upon the receipt by the Trustee or the Authenticating Agent of:

(1) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

(a) the authorized principal amount (by reference to the amount payable at maturity thereof) and designation of such Bonds;

(b) the purposes for which such Bonds are being issued, which shall be one or more of the following: (i) the making of deposits into the Loan Fund, (ii) the making of deposits in at least the amounts, if any, required by this Resolution into the Revenue Fund and Bond Reserve Fund, (iii) the refunding of any Bonds, or (iv) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds (or the manner of determining such dates);

(d) the interest rates of such Bonds (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Bonds;

(f) the Paying Agents and the places of payment of such Bonds or, subject to Article XI, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of Article VI, the redemption terms for such Bonds or the manner of determining such Redemption Prices or terms of redemption;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds of like maturity or the manner of determining such amounts and dates;

(i) provisions for the time, place and manner of such sale of such Bonds, as provided in the Act;

(j) provisions concerning the forms of such Bonds and of the Trustee's or the Authenticating Agent's certificate of authentication; and

(k) any other provisions deemed advisable by THDA as shall not conflict with the provisions hereof;

(2) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution and any other authorization or determination necessary as a condition precedent to the delivery of such Bonds has been duly and lawfully adopted or made and is in full force and effect; (ii) this Resolution has been duly and lawfully authorized, executed and delivered by THDA and is valid and binding upon, and enforceable against, THDA (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Resolution creates the valid pledge which it purports to create of the Revenues and of moneys and securities or deposit in any of the Funds established hereunder, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (iv) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Resolution;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer and attaching a schedule of Compounded Amounts in the event THDA wishes to specify such amounts with respect to any Appreciation Bonds which constitute a portion of such issue;

(4) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to Section 4.1;

(5) except in the case of the initial Series of Bonds hereunder, a Certificate of an Authorized Officer stating that the conditions of Section 7.15 for the issuance of additional Bonds have been met;

(6) except in the case of an issue consisting entirely of Refunding Bonds, a Projected Cash Flow Statement, as of the date of such delivery, complying with the conditions of subsection 7.11(C) and designating, for each semi-annual period, the amount of the Supplemental Revenue Amount and, for each annual period, the Estimated Annual Program Loan Loss Amount, with respect to such Series consistent with Section 7.9, and all other Certificates and schedules required to be delivered upon initial issuance of a Series of Bonds pursuant to Section 4.2; and

(7) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution entered into pursuant to Article VIII.

Section 2.7. Conditions Precedent to Delivery of Refunding Bonds. (A) In addition to the requirements of Section 2.6, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(1) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the Bonds to be refunded and the payment or redemption dates, if any, upon which such Bonds are to be paid or redeemed;

(2) if the Bonds to be refunded are to be redeemed subsequent to the next succeeding ninety days, irrevocable instructions to the Trustee to mail, as provided in Article VI, notice of the redemption of such Bonds on a specified date prior to their redemption date; and

(3) either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the due date or redemption date, or (ii) Investment Securities as described in subsection (B) of Section 12.1, the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or Redemption Price the Bonds to be refunded, together with accrued interest on such Bonds to the redemption dates or dates of maturity thereof, which moneys or Investment Securities shall be held by the Trustee or any one or more of the Paying Agents in the Redemption Fund.

(B) Except as provided in Section 12.1 or paragraph 10.2(A)(6), neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (A)(3) of this Section or principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in subsection 12.1(B) maturing at times and in amounts sufficient to pay when due the principal or applicable Redemption Price of such Bonds, together with such accrued interest. Nothing in this Section, however, is intended to restrict the use of amounts received on account of any portion of the principal or interest on any Investment Securities, deposited pursuant to subsection (A) above, which are in excess of the amounts required to be so deposited in order to provide moneys sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds and such amounts may be pledged by THDA and withdrawn by THDA as received and applied to any purpose of THDA, free and clear of the lien of this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Medium of Payment, Denomination, Maturities, Form and Date. (A) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Except as may otherwise be provided in a Supplemental Resolution, all Bonds shall be in the denomination of $5,000 each or in denominations of any whole multiple thereof.

(C) The date upon which any Principal Installment with respect to a Series of Bonds is payable shall be the first day of any January or July. Except as may otherwise be provided in a Supplemental Resolution, interest on each Bond shall be payable semiannually on the first day of any January or July commencing, with respect to any Series of Bonds, on the January 1 or July 1 set forth in the Supplemental Resolution adopted in connection with the issuance of such Series.

(D) Bonds shall be issued in fully registered form, without coupons.

(E) All Bonds shall bear interest from their date unless another date for the accrual of interest thereon is specified in such Bond. Interest may be made payable at a final or variable rate, based on the principal amount of the Bond (including the Compounded Amount from time to time), or upon any other amount specified in the Bond or incorporated therein by reference. Bonds issued prior to the first Interest Payment Date thereof shall be dated as of the date specified in the Supplemental Resolution with respect thereto, but Bonds issued on or subsequent to the first Interest Payment Date thereof shall be dated as of the date six months preceding the interest payment date next following the date of delivery thereof (unless such date of delivery shall be an Interest Payment Date, in which case they shall be dated as of such date of delivery). If, however, as shown by the records of the Trustee, interest on such Bonds shall be in default, the Bonds issued in lieu of Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bonds surrendered.

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise.

Section 3.3. Interchangeability of Bonds. Upon surrender thereof at the principal or corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Bonds may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.7, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity of any of the authorized denominations.

Section 3.4. Negotiability and Registry. All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, THDA shall maintain and keep, at the principal or corporate trust office of the Trustee or of the Authenticating Agent, as appropriate, books for the registration, transfer and exchange of Bonds. So long as any of the Bonds remain Outstanding, THDA shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee or the Authenticating Agent, as appropriate.

Section 3.5. [Reserved]

Section 3.6. Transfer of Bonds. (A) Except as provided for in Section 3.8 herein, each fully registered Bond shall be transferable only upon the books of THDA, which shall be kept for such purpose at the corporate trust office of the Trustee or of the Authenticating Agent, as appropriate, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee or Authenticating Agent duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such fully registered Bond, THDA shall issue in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(B) THDA and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of THDA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither THDA nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.7. Regulations With Respect to Exchanges and Transfers. Except as provided for in Section 3.8 herein, in all cases in which the privilege of exchanging or transferring Bonds is exercised, THDA shall execute and the Trustee or the Authenticating Agent, as appropriate, shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, THDA or the Trustee or the Authenticating Agent may make a charge sufficient to reimburse it for any expenses of THDA or the Trustee or the Authenticating Agent in connection therewith and for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds or as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. If the Bonds are not registered with a central depositary system as provided in Section 3.8, THDA shall not be obliged to make any such exchange or transfer of Bonds (i) during the ten days preceding an Interest Payment Date on such Bonds, (ii) during the ten days preceding the date of the mailing of notice of any proposed redemption of Bonds, or (iii) with respect to any particular Bond, after such Bond has been called for redemption. THDA may, by written notice to the Trustee or the Authenticating Agent, as appropriate, establish a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, but such record date shall be not more than ten days preceding an Interest Payment Date on such Bonds or, in the case of any proposed redemption of Bonds next preceding the date of the first redemption of Bonds.

Section 3.8. Central Depositary System. (A) Notwithstanding the other provisions of this Resolution regarding registration, ownership, transfer, Bondholder consent, payment and exchange of Bonds, and the giving of notices of Bondholders as required by the provisions of this Resolution, a Supplemental Resolution may provide that all or a portion of Bonds shall be issued as book-entry only Bonds and registered in the name of the central securities depository or its nominee, in which case matters relating to registration, ownership, transfer, consent, payment and exchange of Bonds, and relating to the giving of notices to Bondholders as required by the provisions of this Resolution, shall be governed by the operational arrangement of such central securities depository.

(B) With respect to Bonds registered in the registry books kept by the Trustee in the name of the clearing corporation, THDA and the Trustee shall have no responsibility or obligation to any participant or to any beneficial owner. Without limiting the immediately preceding sentence, THDA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the clearing corporation or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant, any beneficial owner or any other person other than the clearing corporation, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant, any beneficial owner or any other person, other than the clearing corporation, of any amount with respect to the principal of or premium, if any or interest on the Bonds. THDA and the Trustee may treat as and deem the clearing corporation to be the absolute owner of each Bond for the purpose of payment of the principal of and premium and interest on such Bond for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the clearing corporation, and all such payments shall be valid and effective to fully satisfy and discharge THDA's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than the clearing corporation shall receive an authenticated Bond evidencing the obligation of THDA to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by the clearing corporation to the Trustee of written notice to the effect that the clearing corporation has determined to substitute a new nominee, and subject to the provisions herein with respect to consents, the words "clearing corporation" in this Resolution shall refer to such new nominee of the clearing corporation.

(C) Upon receipt by THDA and the Trustee of written notice from the clearing corporation to the effect that the clearing corporation is unable or unwilling to discharge its responsibilities and no substitute depositary willing to undertake the functions of the clearing corporation hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of THDA kept by the Trustee in the name of the clearing corporation, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(D) In the event THDA determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates, THDA may notify the clearing corporation and the Trustee, whereupon the clearing corporation will notify the participants, of the availability through the clearing corporation of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the clearing corporation and any other Bondowners in appropriate amounts, and whenever the clearing corporation requests THDA and the Trustee to do so, the Trustee and THDA will cooperate with the clearing corporation in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bond to any clearing corporation participant having Bonds credited to its clearing corporation account or (ii) to arrange for another securities depositary to maintain custody of certificates evidencing the Bonds.

(E) In connection with any notice of other communication to be provided to Bondholders pursuant to this Resolution by THDA or the Trustee with respect to any consent or other action to be taken by Bondholders, THDA or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the clearing corporation notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(F) Any transfer of a Bond affected in accordance with this Section 3.8 shall be subject to applicable laws of the State.

Section 3.9. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, THDA shall execute and the Trustee shall authenticate a new Bond of like interest rate, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and substitution for a Bond which have been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to THDA and the Trustee that such Bond have been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing THDA and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as THDA and the Trustee may prescribe and pay such expenses as THDA and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to THDA.

Section 3.10. Preparation of Definitive Bonds; Temporary Bonds. (A) Definitive Bonds shall be typed, lithographed or printed on steel engraved borders; provided, that Bonds which are held by a central depository system shall be in form acceptable to such central depository. Until definitive Bonds are prepared THDA may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations of $5,000 or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, THDA at its own expense shall prepare and execute and, without charge to the holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.11. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with THDA and the other executed Certificate shall be retained by the Trustee.

Section 3.12. Execution and Authentication. (A) After their authorization by a Supplemental Resolution, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee or the Authenticating Agent, as appropriate, for authentication. The Bonds shall be executed in the name and on behalf of THDA by the manual or facsimile signature of the Chairman, Vice Chairman or Executive Director of THDA and the corporate seal of THDA (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bonds of a Series may be signed and sealed on behalf of THDA by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by THDA, although the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Bonds, executed manually by the Trustee or the Authenticating

Agent, as appropriate. No Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee or the Authenticating Agent, as appropriate. Such certificate of the Trustee or the Authenticating Agent, as appropriate, upon any Bond executed on behalf of THDA shall be conclusive evidence that the Bond so authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. (A) The proceeds of sale of any Series of Bonds, other than the proceeds of Refunding Bonds, shall, as soon as practicable upon the delivery thereof by the Trustee or the Authenticating Agent, as appropriate, pursuant to Section 2.6 be applied as follows:

(1) the amount, if any, necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Bond Reserve Fund, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Series; and

(2) the balance remaining after such deposit has been made shall be applied as specified in the Supplemental Resolution or as provided in a Certificate of an Authorized Officer.

Section 4.2. Description of Program Loans and Projected Cash Flow Statement. (A) Upon the issuance of a Series of Bonds and whenever amounts are to be deposited in the Loan Fund pursuant to the provisions of subsection 5.3 (F), THDA shall file with the Trustee a Projected Cash Flow Statement and a general description of (i) the Program Loans expected to be financed by application of such amounts and by application of any other amounts in the Loan Fund and (ii) the amounts, if any, to be reserved for the purpose of paying capitalized interest and Costs of Issuance in connection with any Series. Such Projected Cash Flow Statement shall also state the amounts estimated to be applied to the financing of such Program Loans in each month, up to and including the month upon which it is expected that the amount then on deposit in the Loan Fund will be fully expended and include a description of the dates, amounts and remaining terms of any commitments pursuant to which Program Loans are expected to be made, to the full extent that such commitments are required in order that such expected Program Loans be included in such Projected Cash Flow Statement.

(B) THDA may, by a similar filing with the Trustee, amend such Projected Cash Flow Statement from time to time in THDA’s discretion, but THDA shall amend such Projected Cash Flow Statement to the extent reasonably necessary to reflect the actual application of amounts therein or any revised estimates with respect thereto, at least annually so long as amounts remain on deposit in the Loan Fund. In the event that any such amended Projected Cash Flow Statement indicates a change in the terms of the Program Loans expected to be financed from amounts in the Loan Fund and does not show that the Revenues expected to be available in each Fiscal Year are at least equal to the expected Debt Service and Program Expenses for such Fiscal Year, THDA shall file with the Trustee, concurrently with such amended Projected Cash Flow Statement, a Certificate of an Authorized Officer stating that, in the judgment of THDA, the Revenues expected to be available after the payment of estimated Debt Service and Program Expenses in each Fiscal Year are greater than they would have been if all or a portion of such amounts were to be applied to the redemption of Bonds.

Section 4.3. Application of Amounts in the Loan Fund. (A) No amount in Loan Fund shall be expended or applied for the purpose of financing Program Loans except upon compliance with the provisions of subsection 5.2(C). In addition, no Program Loan shall be financed unless a promissory note shall have been executed to evidence the Program Loan and a mortgage securing such Program Loan shall have been executed and recorded in accordance with the requirements of existing laws and (except to the extent that a variance is required by an agency or instrumentality of the United States of America insuring or guaranteeing the payment of a Program Loan):

(1) the deed of trust shall constitute and create a first lien subject only to Permitted Encumbrances, on the real property or on the interest in the real property constituting a part of the residential housing with respect to which the Program Loan secured thereby is made and on the fixtures acquired with the proceeds of the Program Loan attached to or used in connection with such residential housing;

(2) the borrower shall have warranted generally the title to the premises (or a leasehold estate therein having a remaining term to maturity at least ten years longer than the term of the Program Loan), subject to Permitted Encumbrances, and will execute such further assurances as may be requisite;

(3) the borrower has entered into a binding agreement with or for the benefit of THDA that it will pay or escrow all taxes, assessments, water rates, sewer rents and municipal and other charges and fees and any prior liens now or hereafter assessed or liens on or levied against the premises or any part thereof, and in the case of default in the payment thereof when the same shall be due and payable, it shall be lawful for THDA without notice to or demand of the borrower, to pay the same or any of them and that the moneys paid by THDA in discharge of taxes, assessments, water rates, sewer rents and municipal, other charges and fees and prior liens shall be a lien on the premises added to the amount of the Program Loan secured by the mortgage and payable on demand with interest (at the rate applicable under the Program Loan), from the time of payment of the same;

(4) the borrower shall covenant and represent that the proceeds of the Program Loan will be used solely to pay the reasonable and necessary costs of the residential housing to be financed by such Program Loan;

(5) the borrower shall covenant that it will keep the buildings on the premises insured against loss by fire and other hazards as required by THDA to protect its interest with losses payable to THDA as its interest may appear and that the borrower will reimburse THDA for any insurance premiums paid by THDA on the borrower's default in so insuring the buildings;

(6) the borrower shall covenant that it will maintain the premises in good condition and repair, will not commit or suffer any waste of the premises, and will comply with, or cause to be complied with, all statutes, ordinances and requirements of any governmental authority relating to the premises;

(7) the borrower shall covenant to obtain and maintain in force, at its sole expense, a mortgagee policy of title insurance (in standard American Land Title Association form as then in effect) issued by a title insurance company qualified to do business in the State and acceptable to THDA insuring THDA that the mortgage is valid and enforceable and in an amount at least equal to the outstanding principal balance of the Program Loan, including, when applicable, any increases in the amount thereof; and

(8) the Program Loan must either:

(a) have been insured or guaranteed by the Federal Housing Administration, the Farmers Home Administration, the Veteran's Administration, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guaranty of Program Loans; or

(b) have a principal balance not exceeding 78% of the value, as determined in an appraisal by or acceptable to THDA, or the purchase price of the property securing the Program Loan, whichever is less; or

(c) be made in an amount not exceeding the value, as determined in an appraisal by or acceptable to THDA, or purchase price of the property securing the Program Loan, whichever is less, but only if (i) THDA is issued a mortgage insurance policy by a private mortgage insurance company, qualified to do business in the State and the claims paying ability of which private mortgage insurer is rated by each Rating Agency in a rating category at least as high as the then current rating assigned to the Bonds, under which the insurer, upon foreclosure of the property securing the Program Loan, must pay the holder of the Program Loan the unrecovered balance of a claim including unpaid principal, accrued interest, taxes, insurance premiums, and expenses of foreclosure, if any, or in lieu thereof may permit the holder of the Program Loan to retain title and may pay an agreed insured percentage of such claim; and (ii) the insured percentage of the Program Loan equals the amount by which the original principal amount of the Program Loan exceeds 78% of the value, as determined by an appraisal by or acceptable to THDA or purchase price of the property securing the Program Loan, whichever is less; and

(9) the Program Loan shall have been made for residential housing for occupancy by not more than four families.

Section 4.4. Application of Proceeds of Refunding Bonds. The proceeds of the Refunding Bonds of a Series shall be deposited in the Redemption Account or the Debt Service and Expense Account as provided in the Supplemental Resolution authorizing such Bonds.

Section 4.5. Deposits. (A) Except as provided in Sections 2.7 and 12.1 and subject to the right of THDA to direct the deposit of funds, whenever such amounts are not invested in Investment Securities, the Trustee shall, if permitted by law, deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of this Resolution in interest-bearing time deposits or certificates of deposit, or may enter into repurchase agreements or make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor, or a savings and loan association, the deposits of which are insured by the Federal Savings and Loan Insurance Corporation or its successor. Repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with and recognized as primary dealers by a Federal Reserve Bank and may be entered into with any other person if 1) all amounts payable thereunder, are fully and continuously secured by Investment Securities of the type described in clauses (1) through (6) of the definition thereof in Section 1.2, 2) the Trustee shall receive confirmation that such securities are being held for the benefit (and subject to the direction) of the Trustee by a national bank or member bank of the Federal Reserve System other than the obligor under such arrangement and 3) the market value of the Investment Securities being held shall be maintained at a level sufficient to maintain the then current rating on the Bonds by each Rating Agency. Each such interest-bearing time deposit or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed by THDA to be expended and, except to the extent that any such deposits shall be insured by the United State of America or the federal corporations enumerated above on terms which in the judgment of THDA (as expressed in written instructions to the Trustee) provide reasonable liquidity, all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar banking arrangement shall be either a) entered into with an obligor which is a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor or b) continuously and fully secured under the laws of THDA as determined by Board of Directors of THDA by Investment Securities (or other obligations rated in either of the two highest rating categories by a nationally recognized rating service) having a market value equal at all times to the amount of the deposit, repurchase agreement, certificate or other similar banking arrangement.

(B) In order to permit such amounts to be available for use at the time when needed, any amounts held under this Resolution by any Fiduciary or Depositary, as such, may, if and as directed by THDA, be deposited in the commercial banking department of such Fiduciary or Depositary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary or Depositary. Any such Fiduciary or Depositary shall allow and credit on such amounts at least such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(C) All amounts deposited by any Fiduciary or Depositary pursuant to subsection (B) above shall be continuously and fully secured either (a) by lodging with the Trustee as custodian, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) in such other manner as may then be required by applicable federal or state laws and regulations regarding security for the deposit of public funds. It shall not be necessary, unless required by applicable law, for any Fiduciary to give security under this Section for the deposit of any amounts to the extent that such deposit is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or their respective successors, or which are held in trust and set aside by them for the payment of any Bonds, or for the Trustee or any Depositary to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

(D) All amounts so deposited by any Fiduciary or Depositary shall be credited to the particular Fund from which such amounts were derived.

Section 4.6. Investment of Certain Funds. (A) Subject to the right of THDA to direct the investment or deposit of funds hereunder in accordance with this Section, moneys in any Fund shall be continuously invested and reinvested or deposited and redeposited in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing current return (with proper preservation of principal) and minimizing the instances of uninvested funds. THDA shall consult with the Trustee from time to time as to the investment of amounts in the Funds established or confirmed by this Resolution. THDA may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in any Fund in Investment Securities in accordance with this Section and toward the objective that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended.

(B) Investment Securities purchased as an investment of moneys in any Fund held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such Fund but, except as may be otherwise provided for amounts deposited in the Redemption Fund in connection with the issuance of Refunding Bonds, the income or interest earned and gains realized in excess of losses suffered by a Fund due to the investment thereof shall be deposited as Non-Mortgage Receipts in the Non-Mortgage Receipts Account or shall be credited as Non-Mortgage Receipts to the Non-Mortgage Receipts Account from time to time and reinvested.

(C) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to this Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for which such investment was made or whenever, in the discretion of THDA, any such sale or presentment is necessary in compliance with Section 7.9. The Trustee shall advise THDA in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund in its custody under the provisions of this Resolution as of the end of the preceding month.

Section 4.7. Valuation and Sale of Investments. (A) In computing the amount in any Fund, obligations purchased as an investment, of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement, Investment Securities shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made as soon as practicable prior to each Interest Payment Date and at any other time required hereunder, and on any particular date shall not include the amount of interest then earned or accrued to such date on any depositor investment.

(B) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. An Investment Security may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another.

ARTICLE V

FUNDS

Section 5.1. Establishment of Funds. (A) THDA hereby establishes and creates the following special trust funds:

(1) Loan Fund;

(2) Revenue Fund;

(3) Bond Reserve Fund; and

(4) Escrow Fund.

(B) All such Funds shall be held and maintained by the Trustee, including one or more Depositaries in trust for the Trustee, and shall be identified by THDA and the Trustee according to the designations herein provided in such manner as to distinguish such Funds from the Funds established by THDA for any other of its obligations. All moneys or securities held by the Trustee or any Depositary pursuant to this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolution and the Act.

(C) This Resolution contemplates the establishment of Subaccounts within the Funds created pursuant to this Resolution. In addition to the Subaccounts established hereunder, the Trustee may from time to time, establish, close and reestablish such Subaccounts as may be requested by THDA for convenience of administration of the Program and as shall not be inconsistent with the provisions of this Resolution. Notwithstanding anything in this Resolution to the contrary, including Section 2.2 hereof, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, THDA may cause the Trustee to establish a Subaccount into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit hereunder and such Supplemental Resolution may provide that amounts on deposit therein are pledged solely to certain of the Bonds of such Series.

Section 5.2. Loan Fund. (A) There shall be deposited from time to time in the Loan Fund any amount required to be deposited therein pursuant to this Resolution and any other amounts determined to be deposited therein from time to time.

(B) Amounts in the Loan Fund shall be expended only (i) to finance Program Loans, in accordance with Section 4.3; (ii) to pay Costs of Issuance; (iii) to make deposits in the Debt Service and Expense Account, representative of capitalized interest, in the manner provided in subsection (D) of this Section; (iv) to redeem Bonds in accordance with subsection (E) of this Section; and (v) to provide amounts for deposit in the Debt Service and Expense Account in accordance with subsection (F) of this Section. All Program Loans financed by application of amounts in the Loan Fund shall be credited to the Loan Fund.

(C) The Trustee may establish a special Account within the Loan Fund for the purpose of providing funds to finance Program Loans, upon which checks or drafts may be written as provided in Subsection 4.5(B). THDA shall maintain accurate records in the office of THDA describing for each Program Loan the amounts applied to the financing of such Program Loan and the persons and dates related to such payments. Upon the deposit of any amounts in such special account an Authorized Officer shall certify that, as to the Program Loans expected to be financed from the amount so deposited (i) the terms of such Program Loans will conform to the description of the Program Loans to be financed from such amount as set forth in the most recent Projected Cash Flow Statement delivered to the Trustee, (ii) such Program Loans will comply with the provisions of Section 4.3, and (iii) the cost of financing such Program Loans will not exceed the principal amount thereof plus accrued interest thereon. Except for such special Account, the Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Fund at any time for the purpose of making payments pursuant to this Section only upon receipt of:

(1) a written requisition setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include THDA) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from the Loan Fund pursuant to such requisition is a proper charge thereon.

(D) At least one day prior to each Interest Payment Date THDA shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amount necessary, in the opinion of such Authorized Officer, to pay interest on the Bonds of each Series from the amount on deposit in the Loan Fund, after giving effect to the actual and expected application of amounts therein to the financing of Program Loans as of the date of such Certificate. Upon receipt of such Certificate the Trustee shall transfer the amount so stated for each Series to the Debt Service and Expense Account, but only to the extent that the cumulative amount of such transfers does not exceed for each Series the amount stated as necessary to be reserved in the Loan Fund for the purpose of paying capitalized interest pursuant to the Certificate of an Authorized Officer delivered in connection with the delivery of such Series pursuant to subsection 4.2(A) plus the amount, if any, certified by an Authorized Officer as available for such purpose from amounts originally reserved in the Loan Fund for the payment of capitalized interest and Costs of Issuance with respect to other Series in excess of the amounts actually required therefor.

(E) At any time THDA may direct the Trustee in writing to transfer amounts in the Loan Fund to the Redemption Account or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the provisions of Article VI, but only if there is delivered to the Trustee a Projected Cash Flow Statement.

(F) THDA may at any time direct the Trustee to transfer amounts in the Loan Fund to the Revenue Fund, but only if there is delivered to the Trustee a Projected Cash Flow Statement showing the amount to be so transferred and that, after giving effect to such transfer, such Statement complies with subsection 7.11(C).

(G) [Reserved]

Section 5.3. Revenue Fund. (A) The Trustee shall establish and create within the Revenue Fund three Accounts into which amounts shall be deposited and from which amounts shall be transferred as provided in this Section. These Accounts shall be designated as the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account. THDA shall cause all Revenues to be deposited promptly with a Depositary and to be transmitted regularly to the Trustee (at least monthly) and such amounts shall be deposited in the Debt Service and Expense Account. There shall also be deposited in the Debt Service and Expense Account any other amounts required to be deposited therein pursuant to this Resolution.

(B) The Trustee shall pay out of the Debt Service and Expense Account to the respective Paying Agents for any of the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments. Upon receipt of appropriate requisitions and certificates reflecting such payment in the form prescribed by subsection 5.2(C), amounts on deposit in the Debt Service and Expense Account may be applied to the payment of accrued interest in connection with the financing of any Program Loan.

(C) Prior to the forty-fifth day preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by an Authorized Officer of THDA shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of said Sinking Fund Payment plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(2) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (M) of this Section (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 6.3, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service and Expense Account to the appropriate Paying Agents on the date preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) Within ninety days after the close of each Fiscal Year, THDA shall deliver to the Trustee a Certificate of an Authorized Officer containing a Projected Cash Flow Statement as of the first day of the then current Fiscal Year (but assuming the transfer of any amounts to the Loan Fund as provided in clause (ii) of this sentence) which states (i) the amount remaining in the Debt Service and Expense Account as of such first day after deducting all payments required to have been made pursuant to paragraph (B) of this Section and (ii) the amount required to be transferred to the Loan Fund in accordance with the assumptions made in such Projected Cash Flow Statement. Promptly upon receipt of such Certificate the Trustee shall transfer from the Debt Service and Expense Account an amount equal to the amount stated in (i) above as follows:

FIRST: From the amount so available, the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.

SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount needed to be transferred to THDA to pay reasonable and necessary Program Expenses which are due and owing.

THIRD: From the amount, if any, so available and remaining after the transfers provided above have been made, the amount, if any, stated in such Projected Cash Flow Statement as to be transferred to the Loan Fund shall be so transferred, and if such Projected Cash Flow Statement does not comply with subsection 7.11(C), the amount so available shall be transferred to the Loan Fund as set forth in the Certificate delivered in accordance with Section 5.3(H).

FOURTH: From the amount, if any, so available and remaining after any transfers provided for above have been made, the remaining amount shall be transferred to the Redemption Account as directed by THDA. If, however, the amount of Program Loans (valued at par) and Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account or the Escrow Fund) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA and a Projected Cash Flow Statement after giving effect to such withdrawal, to be applied to any purpose of THDA consistent with Section 7.9, free and clear of the lien of any pledge of this Resolution. The Projected Cash Flow Statement for purposes of this Section 5.3(F) shall include all Program Loans, including any Program Loans which have been in payment default for sixty (60) or more consecutive days. For the purposes of this paragraph, there shall be excluded from the amount of Program Loans and Investment Securities any Program Loans or Investment Securities which were acquired with amounts deposited in the Loan Fund or the Bond Reserve Fund from sources other than the proceeds of Bonds or transfers from the Revenue Fund, unless, at the time such amounts were deposited therein, the Trustee receives a Certificate of an Authorized Officer stating that such amounts are not necessary to be deposited therein in order to provide Revenues sufficient to provide for the payment of Outstanding Bonds.

(G) Notwithstanding any other provision of this Section, the Trustee may at any time, upon the written direction of an Authorized Officer, (i) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund, or the Redemption Account or (ii) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer or payment shall be made, however, unless (x) such withdrawal is in an amount less than or equal to the amount of such withdrawal as set forth in the most recent Projected Cash Flow Statement or (y) there is on deposit in the Debt Services and Expense Account and the Non-Mortgage Receipts Account in the Revenue Fund after such transfer or payment an amount equal to the principal and interest accrued on all Outstanding Bonds as of the date of such transfer or payment plus an amount equal to the cumulative amount of prepayments received by THDA during such Fiscal Year which are in excess of the amount of prepayments estimated to be applied to the payment of maturing Bonds during such Fiscal Year in the most recent Projected Cash Flow Statement delivered by THDA. In addition, no such transfer shall be made pursuant to clause (y) above unless a Projected Cash Flow Statement is delivered to the Trustee and no payment for Program Expenses shall be made unless the monthly revenue statements delivered for the preceding month pursuant to Section 7.10(B) shows that accumulated

Revenues and Non-Mortgage Receipts exceed accrued Debt Service by an amount at least equal to such payment.

(H) Whenever any amount is to be transferred from the Debt Service and Expense Account in the Revenue Fund to the Loan Fund or the Redemption Fund and the Projected Cash Flow Statement delivered to the Trustee in connection with such transfer does not comply with subsection 7.11(C), there shall be filed with the Trustee, together with such Projected Cash Flow Statement, a Certificate of an Authorized Officer stating that such Projected Cash Flow Statement reflects the use of the amount so transferred for the financing of Program Loans, the acquisition of Investment Securities or the redemption of Bonds in such manner as, in the judgment of THDA, produces the greatest estimated availability of Revenues in relation to the amount of estimated Debt Service and Program Expenses in each Fiscal Year and such use does not adversely affect the then current ratings on the Bonds as confirmed in writing by the rating agencies rating the Bonds.

(I) Notwithstanding the provisions of subsection (A) of this Section, no payments shall be required to be made into the Debt Service and Expense Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms, and any Revenues thereafter received by THDA may be applied to any corporate purpose of THDA free and clear of the lien of the pledge of this Resolution.

(J) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Resolution and any other amounts available therefor and determined by THDA to be deposited therein. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, all amounts deposited in the Redemption Account shall be applied to the payment, purchase or redemption of Bonds, at the earliest practicable Redemption Date. Subject to the provisions of this Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in this Section and Article VI. Any earnings derived from the investment of amounts deposited in the Redemption Account pursuant to Section 2.7 shall, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in said Section, be deposited in the Redemption Account. Amounts on deposit in the Redemption Account for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Supplemental Resolution authorizing the issuance of Refunding Bonds, including amounts derived from the investment thereof as provided in this subsection, shall be segregated and shall be identified as such on the records of the Trustee.

(K) Except as may be otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit therein. THDA may, however, by delivery to the Trustee of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of THDA. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as THDA shall from time to time direct or, in the absence of such direction, as the Trustee may determine in its sole discretion and as may be possible with the amounts then available therefor. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Resolution on any date or dates within thirteen months after such purchase, in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price, and deposit the same in the Debt Service and Expense Account within the Revenue Fund.

(L) [Reserved.]

(M) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward each such Sinking Fund Payment thereafter to become due an amount as nearly as may be practicable in multiples of $5,000 bearing the same ratio to such

Sinking Fund Payment, as the total principal amount of such Bond so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds and the Trustee shall consent to such method, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(N) Except as otherwise specifically provided herein, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price or at any other price and any arms length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(O) All Non-Mortgage Receipts shall be deposited, promptly upon receipt by the Trustee, in the Non-Mortgage Receipts Account. The Trustee shall maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund and the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund (referred to in this Section as the "average daily balance"). If so directed by THDA, the Trustee shall maintain such for each Series of Bonds separately.

(P) Semi-annually not later than each Interest Payment Date, the Trustee shall transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of the transfers provided by this Subsection, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

(Q) Any amount remaining in the Non-Mortgage Receipts Account after the semi-annual transfer to the Debt Service and Expense Account shall be transferred, at the direction of an Authorized Officer, to the Loan Fund, the Redemption Account, or the Escrow Fund.

Section 5.4. Bond Reserve Fund. (A) If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Fund and the Redemption Fund, if applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Bond Reserve Fund to the extent necessary to make good the deficiency.

(B) If, concurrently with any allocation from the Revenue Fund pursuant to subsection (B), (F) or (G) of Section 5.3, the amount on deposit in the Bond Reserve Fund, shall be in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed in writing by an Authorized Officer of THDA, transfer the amount of such excess to the Redemption Account.

(C) Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Fund shall be transferred to the Bond Reserve Fund. Prior to said transfer all investments held in the Revenue Fund shall be liquidated and any Bonds constituting a part of such Fund shall be deemed paid and cancelled.

Section 5.5. Escrow Fund. There shall be deposited in the Escrow Fund, all amounts required by this Resolution to be deposited therein and any other amounts available therefor and determined by THDA to be deposited therein. Amounts in the Escrow Fund may be applied to any lawful purpose of THDA consistent with Section 7.9.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Resolution, in the Bonds and in the respective Supplemental Resolutions authorizing the issuance of such Bonds and authorizing the issuance of Refunding Bonds.

Section 6.2. Redemption at the Election or Direction of THDA. In the case of any redemption of Bonds otherwise than as provided in Section 6.3, THDA shall give written notice to the Trustee of its election or direction so to redeem, of the Redemption Date, of the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by THDA in its sole discretion, subject to any limitations with respect thereto contained in or permitted by this Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least forty-five days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. THDA shall direct the redemption of Bonds pursuant to this Section 6.2 pro rata among all Series and all maturities within each Series then Outstanding hereunder unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of Bonds to be redeemed. In the event notice of redemption shall have been given as provided in Section 6.5, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise THDA, shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed. THDA shall promptly notify the Trustee in writing of all such payments made by THDA to a Paying Agent.

Section 6.3. Redemption Otherwise Than at THDA's Election or Direction. Whenever by the terms of this Resolution, the Trustee is required to redeem Bonds otherwise than at the election or direction of THDA, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article V, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series and maturity, the Trustee or the Authenticating Agent, as appropriate, shall assign to each such Outstanding fully registered Bond a distinctive number for each $5,000 of the principal amount thereof so as to distinguish each such $5,000 from each other portion of the Bonds subject to such redemption. The Trustee or the Authenticating Agent, as appropriate, shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds bearing the numbers so selected; but only so much of the principal amount of each such fully registered Bond of a denomination or more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding. In the case of Appreciation Bonds, in the event that the Compounded Amount of any such Bond shall be less than $5,000, the Trustee or the Authenticating Agent, as appropriate, shall assign a number to such Bond as if the Bond had a principal amount equal to $5,000 for purposes of this Section. If a Supplemental Resolution provides for a minimum denomination larger than $5,000, all references in this Section to $5,000 shall be deemed to refer to such larger minimum denomination.

Section 6.5. Notice of Redemption. When the Trustee or the Authenticating Agent, as appropriate, shall receive notice from THDA of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Resolution pursuant to Section 6.3, the Trustee or the Authenticating Agent shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee or the Authenticating Agent shall mail a copy of such notice, postage prepaid, not less than twenty days (or such shorter period as may be acceptable to the provider of the central depository system if all Bonds are registered in a single central depository system as provided in Section 3.8 hereof) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice to any particular Bond shall not affect the validity of the proceedings for the redemption of other Bonds.

Section 6.6. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 6.5, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of portions of Bonds, a written instrument of exchange duly executed by the registered owner or his duly authorized attorney. If there shall be drawn for redemption less than the entire principal amount of a Bond, THDA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE VII

PARTICULAR COVENANTS

THDA covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 7.1. Performance. THDA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of THDA under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

Section 7.2. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of THDA, shall be within every debt and other limit prescribed by law.

Section 7.3. Power to Issue Bonds and Pledge Revenues, Funds and Other Property. THDA is duly authorized under all applicable laws to authorize and issue the Bonds and to enter into, execute and deliver this Resolution and to pledge the assets and revenues purported to be pledged hereby in the manner and to the extent herein provided. The assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate or other action on the part of THDA to that end has been and will be duly and validly taken. The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of THDA in accordance with their terms and the terms of this Resolution. THDA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under this Resolution, and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 7.4. Payment of Bonds. THDA shall duly and punctually pay or cause to be paid, as herein provided, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 7.5. Extension of Payment of Bonds. THDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon and in the event that the maturity of any of the Bonds or the time for payment of interest thereon shall be extended, such Bonds, shall not be entitled to the benefit of this Resolution or to any payment out of the Funds established pursuant to this Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extension. Nothing herein shall be deemed to limit the right of THDA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.6. Offices for Servicing Bonds. THDA shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon THDA in respect of the Bonds or of this Resolution may be served. Unless an Authenticating Agent has been appointed pursuant to Section 11.1(C), the Trustee shall maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon THDA. THDA may appoint one or more additional or other Paying Agents as its respective agents to maintain such offices or agencies for the payment of the Bonds of any particular Series and maturity.

Section 7.7. Further Assurance. At any and all times THDA shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which THDA may become bound to pledge or assign.

Section 7.8. Waiver of Laws. THDA shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law not or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by THDA.

Section 7.9. Tax Covenants. (A) Subject to subsection (C) of this Section, THDA shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(B) THDA shall not permit at any time or times any of the proceeds of the Bonds or any other funds of THDA to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

(C) Notwithstanding the foregoing, THDA hereby reserves right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this Section shall not apply to such Bonds.

Section 7.10. Accounts and Reports. (A) THDA shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Program Loans and all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) On or before the twenty-fifth day of each month or as soon as practicable thereafter, THDA shall submit to the Trustee a statement of account for the preceding month setting forth the individual totals of the amounts received as Revenues (including individual totals for prepayments and monthly mortgage loan receipts) and Non-Mortgage Receipts during such month and stating the cumulative amount of Revenues and Non-Mortgage Receipts which have been received since the date upon which the last Principal Installment on Outstanding Bonds was payable.

(C) THDA shall annually, within ninety days after the close of each Fiscal Year, file with the Trustee a copy of an annual report as to the operations and accomplishments of THDA during such Fiscal Year, and financial statements for such Fiscal Year, setting forth in reasonable detail:

(1) the balance sheet for THDA and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year;

(2) a statement of THDA’s revenues and expenses in accordance with the categories or classifications established by THDA for its operating and program purposes and showing the revenues and expenses of the Program during such Fiscal Year; and

(3) a statement of changes in financial position, including changes in financial position of the Program, as of the end of such Fiscal Year.

The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(D) If at any time during any Fiscal Year there shall have occurred an Event of Default, then THDA shall file with the Trustee, within forty-five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

(E) Any such financial statements may be presented on a consolidated or combined basis with other reports of THDA, but only to the extent that such basis of reporting shall be consistent with that required under subsection (C) of this Section and satisfactory to the Trustee.

(F) A copy of each annual Projected Cash Flow Statement and annual report or special report and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Section 7.11. Periodic Delivery of Projected Cash Flow Statement. (A) THDA shall file a Projected Cash Flow Statement with the Trustee whenever Bonds are issued pursuant to Section 2.6 and annually as required pursuant to subsection 5.3(F). In addition, a Projected Cash Flow Statement is to be filed with the Trustee: (i) annually and whenever else necessary to reflect revisions as provided in Section 4.2(B), (ii) whenever transfers are made from the Loan Fund to the Revenue Fund or the Redemption Fund in accordance with the provisions of subsections (E) and (F) of Section 5.2, (iii) whenever transfers from the Revenue Fund are made in accordance with the provisions of subsection 5.3(G) and (iv) as provided in the case of the sale, assignment or other disposition of Program Loans in accordance with subsection 7.13(C).

(B) A Projected Cash Flow Statement shall consist of the Certificate of an Authorized Officer setting forth for the current and each succeeding annual period (ending on June 30) in which Bonds are scheduled to be Outstanding THDA's estimate of:

(1) The Revenues, other than prepayments, expected to be received on all Program Loans financed or expected to be financed with proceeds of Outstanding Bonds;

(2) The aggregate amount of prepayments of Program Loans which are to be applied to the payment of Bonds as set forth in the Supplemental Resolution based upon the following scenarios: (i) the aggregate amount of prepayments which THDA reasonably expects to receive; (ii) the aggregate amount of prepayments equal to 100% of the prepayment experience for thirty-year mortgage loans set forth in the most recent "Survivorship and Decrement Table for HUD/FHA Home Mortgage Insurance Programs"; (iii) the aggregate amount of prepayments which would result in the Bonds Outstanding having an average remaining life of three years; (iv) the aggregate amount of prepayments being equal to zero; and (v) the aggregate amount of prepayments being equal to the aggregate amount of prepayments shown in the most recent Projected Cash Flow Statement delivered to each Rating Agency in connection with obtaining a rating on the Bonds;

(3) All other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts and the rate or rates used in estimating such amounts;

(4) The amount, if any, expected to be withdrawn from the Bond Reserve Fund, but only if the amount on deposit in the Bond Reserve Fund is expected to at least equal the Bond Reserve Fund Requirement immediately after such withdrawal;

(5) The Aggregate Debt Service accrued on all Bonds Outstanding during such annual period; and

(6) All Program Expenses during such annual period.

(C) A Projected Cash Flow Statement shall be considered to comply with this subsection if such Statement shows that (i) the estimated Revenues for each annual period in which Bonds will be Outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to this Resolution), will be sufficient for the payment of the estimated Debt Service and Program Expenses for such annual period, and (ii) the total assets (consisting of cash and investments, valued as provided herein, and the principal balance of Program Loans) held hereunder equal to or exceed the total liabilities of all Bonds Outstanding hereunder for each such annual period. For purposes of determining Revenues in clause (i) of this Section 7.11(C), Revenues shall not include any revenues from Program Loans which are then in payment default and have been for a period of sixty (60) or more consecutive days, and revenues from all other Program Loans shall be treated as being received sixty (60) days after payment thereon is due.

Section 7.12. Budgets. (A) THDA shall cause THDA to adopt an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than the first day of each Fiscal Year, and file the same with the Trustee and with such officials of THDA as may be required by the Act, as then amended. Such budget need not necessarily be the budget prepared by THDA for Agency budgeting purposes. The annual budget shall at least set forth for such Fiscal Year the estimated Revenues, the Principal Installments and the amount of interest due and payable or estimated to become due and payable during such Fiscal Year, and estimated expenses of the Program. THDA may at any time adopt and file with the Trustee an amended annual budget for the remainder of the then current Fiscal Year in the manner provided in this Resolution for the adoption of the annual budget. Copies of the annual budget as then amended and in effect shall be made available by the Trustee at normal business hours in the Trustee's office for inspection by any Bondholder. In the event THDA shall not adopt an annual budget for the succeeding Fiscal Year on or before the first day of such Fiscal Year, the annual budget for the preceding Fiscal Year shall be deemed to have been adopted and be in effect for such Fiscal Year until the annual budget for such Fiscal Year shall have been adopted as above provided.

(B) THDA shall not incur operating expenses in any Fiscal Year in excess of the reasonable or necessary amount thereof, and shall not expend any amount or incur any indebtedness for operating expenses for such year in excess of the amount provided therefor in the annual budget as originally prepared or as amended. Nothing contained in this Section shall limit the total amount which THDA may expend for operating expenses in any Fiscal Year.

Section 7.13. The Program. (A) THDA shall from time to time with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of this Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program, to finance Program Loans pursuant to the Act and this Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Program Loans and, if not inconsistent with sound banking practices and principles, consent to modification of repayment terms of the Program Loans), sufficient to pay the expenses of the Program and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to protect its rights with respect to or to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans including the collection, custody and prompt application of all escrow payments required by the terms of a Program Loan for the purposes for which they were made.

(B) Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, THDA shall commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof and may otherwise take possession of or acquire such premises.

(C) THDA may at any time sell, assign or otherwise dispose of a Program Loan (or the premises to which such Program Loan related):

(1) in the event that payment under such Program Loan is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds the debt service on which is equivalent to the payments on the Program Loan; or

(3) a Projected Cash Flow Statement shall be filed with the Trustee which gives effect to the proposed sale thereof and complies with the conditions set forth in subsection 7.11(C).

Section 7.14. Personnel and Servicing of Programs. (A) THDA shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Act and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by THDA shall be qualified for their respective positions.

(B) THDA may pay to any agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for THDA.

(C) Each Depositary other than the State Treasurer which may from time to time hold amounts in excess of $5,000 shall enter into a written agreement with THDA and the Trustee providing that:

(1) any Revenues or collateral for deposits or other arrangements entered into pursuant to Section 4.5 held by such Depositary shall be set aside and held in trust for the Trustee on behalf of the holders of the Bonds;

(2) all such amounts shall be invested or deposited, and any collateral therefor maintained, in accordance with Sections 4.5 and 4.6 and as may be directed by THDA or the Trustee or, failing such direction, as such Depositary may determine;

(3) any amounts held by such Depositary shall be transmitted to the Trustee regularly as required pursuant to this Resolution and shall be transmitted to the Trustee as soon as practicable upon the written demand at any time of THDA or the Trustee; and

(4) such Depositary shall regularly deliver a monthly accounting to THDA and the Trustee of the amount held by it hereunder and the deposits and investments thereof.

The Trustee shall obtain a written memorandum from the State Treasurer setting forth the procedures and policies to be applied, in the case of any amounts to be held by or placed under the supervision of the State Treasurer pursuant to this Resolution, with the objective of satisfying the purposes of this Section. Such memorandum may be amended or revised from time to time.

(D) THDA shall duly and properly service all Program Loans and enforce the payment and collection of all payments of principal and interest and all Escrow Payments or shall cause such servicing to be done by a servicer evidencing, in the judgment of THDA, the capability and experience necessary to adequately service Program Loans. Each such servicer shall enter into a servicing agreement providing that:

(1) all amounts received by such servicer, except as compensation for its services, shall be deposited promptly with a Depositary (which may be such servicer) subject to and in accordance with the provisions of this Resolution;

(2) such servicer shall at all times remain qualified to act as such pursuant to such standards as THDA shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Program Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in THDA's sole discretion, and shall maintain individual files for each Program Loan serviced pursuant to the servicing agreement and provide regular reports to THDA as to collections and delinquencies with respect to all Program Loans serviced by such servicer.

Section 7.15. Issuance of Additional Obligations. (A) THDA shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which, except as provided in Section 5.1(C) hereof, will be secured by a superior or equal charge and lien on the revenues and assets pledged hereunder, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds under this Resolution on a parity with the Bonds of such initial Series of Bonds and secured, except as provided in

Section 5.1(C) hereof, by an equal charge and lien on the revenues and assets pledged hereunder and payable equally therefrom for one or more of the purposes set forth in Section 2.4.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under this Resolution unless:

(1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) upon the issuance and delivery of such additional Bonds, the amount credited to the Bond Reserve Fund is at least equal to the Bond Reserve Fund Requirement;

(3) the provisions of Section 2.6 or, in the case of Refunding Bonds, Section 2.7 shall have been complied with as of the date of delivery of such Series;

(4) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, THDA shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution; and

(5) upon the issuance of such Series and application of the proceeds thereof in accordance with Article IV hereof, the amount of Program Loans and Investment Securities credited to all Funds and Accounts hereunder, other than the Redemption Account and the Escrow Fund, when valued in accordance with this Resolution, will be equal to the principal amount of Outstanding Bonds, including the Bonds thereupon being issued.

(6) the Bonds of such Series which are issued to provide amounts for deposit in the Loan Fund to provide payment of Costs of Issuance and capitalized interest.

(C) THDA hereby expressly reserves the right to enter into or adopt one or more additional indentures or resolutions for its purposes, including the purposes of the Program, and reserves the right to issue other obligations for such purposes.

Section 7.16. Bond Reserve Fund. (A) THDA shall at all times maintain the Bond Reserve Fund created and established by Section 5.1 and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of THDA or the Trustee or the Paying Agents under the terms and provisions of Article V hereof or of the Act.

(B) Notwithstanding any other provisions of this Resolution the Trustee shall not permit amounts to be withdrawn from the Bond Reserve Fund other than pursuant to subsection 5.4(A) unless there shall have been filed with the Trustee a Certificate of an Authorized Officer stating that such amounts are not required to be retained therein to provide funds for the payment of Principal Installments or interest on Outstanding Bonds when due.

Section 7.17. Assignment of Program Loans Upon Default. Upon the happening of an Event of Default specified in Section 10.2 and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA shall deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee. If, however, the Trustee and the Bondholders are restored to their positions in accordance with Section 10.4, the Trustee shall assign such Program Loans back to THDA.

Section 7.18. Covenants with Respect to the Rating of Bonds. For the purpose of maintaining the ratings with respect to the Bonds by the Rating Agency, THDA agrees that (1) except to the extent that amounts payable with respect to any Program Loan are secured by a deposit or other collateral provided by the Borrower, THDA or any other source on terms and conditions acceptable to the Rating Agency, THDA will require that the ability of the borrower to make payments on any Program Loan prepared to be financed by THDA be evaluated for loan underwriting purposes on the basis of the maximum monthly payment permissible under the terms of the Program Loan and (2) to establish and maintain procedures with respect to primary mortgage insurance policies from private mortgage insurance companies which assure that the rating on the Bonds will be maintained.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.1. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of THDA may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of THDA in this Resolution other covenants and agreements to be observed by THDA which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by THDA which are not contrary to or inconsistent with this Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon THDA by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of THDA contained in this Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues and Non-Mortgage Receipts or of any other revenues or assets;

(6) to modify any of the provisions of this Resolution in any respect whatever, but only if (i) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; or

(7) to authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued.

Section 8.2. Supplemental Resolutions Effective Upon Consent of Trustee. (A) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and THDA of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee in connection with the Program Loans.

(B) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 8.3. Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX.

Section 8.4. General Provisions. (A) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of THDA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.7 or the right or obligation of THDA to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Resolution.

(B) Any Supplemental Resolution permitted or authorized by Section 8.1 or 8.2 may be adopted by THDA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon THDA.

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.1, 8.2 or 8.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(D) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

Section 9.1. Mailing and Publication of Notice of Amendment. Any provision in this Article for the mailing of a notice to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of THDA and (ii) to the Trustee.

Section 9.2. Powers of Amendment. Any modification of or amendment to this Resolution and of the rights and obligations of THDA and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3, with the written consent given as provided in Section 9.3, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on THDA and all holders of Bonds.

Section 9.3. Consent of Bondholders. (A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 or 8.2 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed, by first class mail postage prepaid, by THDA to the holders of any registered Bond. Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 9.2 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by THDA in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon THDA and enforceable in accordance with its terms.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14. A Certificate by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.14. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with THDA and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by THDA on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by THDA by mailing such notice to the Bondholders, first class mail, postage prepaid, (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). THDA shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon THDA, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period, except that any Fiduciary and THDA during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 9.4. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of THDA and of the holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by THDA of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of THDA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and THDA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, THDA shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by THDA and the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If THDA or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and THDA shall be prepared, executed, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity, then Outstanding, upon surrender of such Bonds. All Bonds surrendered in such an exchange shall be cancelled by the Trustee.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is hereby declared an “Event of Default”:

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise shall not be made when and as the same shall become due; or

(2) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or

(3) THDA shall fail or refuse to comply with the provisions of this Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Section 10.2. Remedies. (A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1 the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to acceleration of the Bonds pursuant to clause (5) below) shall proceed, in its own name, subject to the provisions of Section 11.3, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues and Non-Mortgage Receipts adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from THDA for principal, Redemption Price, interest or otherwise, under any provisions of this Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against THDA for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Non-Mortgage Receipts and of the assets of THDA relating to the Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default. (A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, subject to Section 10.11, hereof as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to THDA, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case THDA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction

Section 10.6. Limitation on Rights of Bondholders. (A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or by law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section, or any other provision of this Resolution, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Resolution.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Resolution to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal of or Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee and, (ii) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee. (A) The Bond Finance Committee of THDA has been delegated the responsibility for choosing the initial Trustee pursuant to this Resolution. The Trustee shall signify its acceptance of the duties and obligations of the Trustee by executing a written acceptance of its obligations under this Resolution.

(B) The Trustee is hereby vested with all of the rights, powers and duties of a Trustee permitted to be appointed by Bondholders pursuant to the Act and the right of Bondholders to appoint a trustee pursuant to the Act is hereby abrogated as permitted by the Act.

(C) The Bond Finance Committee of THDA has been delegated the responsibility to appoint from time to time an Authenticating Agent for the Bonds of a particular Series and maturity. An Authenticating Agent must be a bank or trust company within or outside the State that meets the eligibility requirements established by Section 11.13 for a successor Paying Agent.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents. (A) THDA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent.

(B) Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by a written instrument of acceptance executed and delivered to THDA and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of THDA for the payment of the Bonds.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of THDA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds or coupons issued hereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to THDA. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to THDA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to THDA, the holders of any of the Bonds or any other person for any act or omission done or omitted to be done by such Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Resolution or for any act or omission done or omitted in good faith and without willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by THDA to any Fiduciary shall be sufficiently executed if executed in the name of THDA by an Authorized Officer.

Section 11.5. Compensation. THDA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees (whether or not litigation ensued and, if so, fees on trial and any appeal therefrom) and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under this Resolution. THDA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds with the same rights it would have if it were not a Fiduciary. Any Fiduciary may act as Depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may be an Approved Lender under the Program and may sell Program Loans to THDA. Any Fiduciary may be an underwriter in connection with the sale of the Bonds or of any other securities offered or issued by THDA or any political subdivision thereof.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to THDA, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 11.8. Removal of Trustee. The Trustee shall be removed by THDA if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and THDA and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of THDA by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee. (A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, THDA covenants and agrees that it will thereupon appoint a successor Trustee.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to THDA written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least $25,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to THDA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of THDA, or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from THDA be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by THDA. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Resolution shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Resolution as Trustee.

Section 11.11. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee or successor Authenticating Agent, as appropriate, may adopt the certificate of authentication of any predecessor Trustee or predecessor Authenticating Agent, as the case may be, so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee or successor Authenticating Agent may authenticate such Bonds in the name of the predecessor Trustee or predecessor Authenticating Agent or in the name of the successor Trustee or successor Authenticating Agent, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of authentication of the Trustee or Authenticating Agent shall have.

Section 11.13. Resignation or Removal of the Paying Agents and Authenticating Agent and Appointment of Successors. (A) Any Paying Agent or Authenticating Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to THDA and Trustee. Any Paying Agent or Authenticating Agent may be removed at any time by an instrument filed with such Paying Agent, as appropriate, and the Trustee and signed by an Authorized Officer. Any successor Paying Agent or Authenticating Agent, as appropriate, shall be appointed by THDA and (subject to the requirements of Section 7.6) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least $3,000,000, and willing and able to accept the office of Paying Agent, or Authenticating Agent, as the case may be, on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds. (A) Any request, consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii), the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable:

(1) the fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) the amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a Certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depositary or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depositary the Bonds described in such Certificate. Continued ownership after the date stated in such Certificate may be proved by the presentation of such Certificate if the Certificate contains a statement by such officer that the depositary held the Bonds therein referred to on the date of the Certificate and that they will not be surrendered without the surrender of the Certificate to the depositary, except with the consent of the Trustee, and a Certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by THDA or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this Resolution or any Supplemental Resolution (or microfilm, microcard or similar photographic reproduction thereof) shall be retained in its possession and shall be subject at all reasonable times to the inspection of THDA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

ARTICLE XII

DEFEASANCE
MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance. (A) If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of THDA, execute and deliver to THDA all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to THDA all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If THDA shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of THDA to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) Bonds and interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) shall, at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. All Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, THDA shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this Section, Investment Securities mean and include only direct and general obligations of the State or obligations guaranteed by the State or such obligations as are described in clauses (1), (2) and (7) of the definition of Investment Securities herein, but time or demand deposits or other obligations shall be secured by direct and general obligations of the State or obligations guaranteed by the State or obligations described only in clause (1) of said definition.

(C) If, through the deposit of moneys by THDA or otherwise, the Fiduciaries shall hold, pursuant to this Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which THDA shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of THDA all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or the redemption of Outstanding Bonds.

(D) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons which remain unclaimed for six years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of THDA, be repaid by the Fiduciary to THDA, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged.

Section 12.2. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of THDA contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of THDA and not of any officer or employee of THDA in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any officer or employee of THDA or any natural person executing the Bonds.

Section 12.3. Security Instrument. A certified copy of this Resolution, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Tennessee.

Section 12.4. Effective Date. This Resolution shall take effect immediately.

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Residential Finance Program Bond Resolution (the "2013 General Resolution")

THDA has issued $637,205,000 total original principal amount of Bonds under the 2013 General Resolution, which were outstanding as shown on the table below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of February 28, 2015 (unaudited)	Original Net Interest Cost[(1)]
Issue 2013-1	May 30, 2013	$215,905,000	$186,805,000	3.13%
Issue 2013-2	November 19, 2013	121,300,000	113,360,000	3.59
Issue 2014-1	May 29, 2014	150,000,000	146,210,000	3.23
Issue 2014-2	November 20, 2014	150,000,000	150,000,000	2.91
TOTAL		$637,205,000	$596,375,000	

(1) Bond yield.

As of February 28, 2015, 6,922 mortgage loans in the approximate aggregate principal amount of $584,270,247 were outstanding under the 2013 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2013 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2013 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for the general purposes of THDA only as provided in the 2013 General Resolution.

In particular, THDA has authorized the issuance and sale of Issue 2015-1 under the 2013 General Resolution in the maximum principal amount of $150,000,000. THDA expects that approximately $28,000,000 of the proceeds generated if and when the sale of Issue 2015-1 occurs will be used to refund certain bonds outstanding under the 1985 General Resolution and certain program loans and investments allocated to such bonds being refunded will be transferred from the 1985 General Resolution to the 2013 General Resolution. THDA expects that all remaining lendable proceeds from the sale of Issue 2015-1 will be used to purchase Program Loans that will be security for the Issue 2015-1 Bonds on parity with all other bonds then outstanding under the 2013 General Resolution.

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General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $1,687,690,000 total original principal amount of Bonds under the 1985 General Resolution, which were outstanding as shown on the table below:

Issue of Bonds	Dated	Issued	Outstanding as of February 28, 2015 (unaudited)	Original Net Interest Cost[1]
2005-2	November 17, 2005	100,000,000	$ 28,860,000	4.61
2006-1	April 27, 2006	100,000,000	26,045,000	4.66
2006-2	July 27, 2006	100,000,000	24,545,000	4.86
2006-3	October 31, 2006	100,000,000	33,550,000	4.58
2007-1	March 13, 2007	100,000,000	36,390,000	4.49
2007-2	June 6, 2007	120,000,000	47,585,000	4.53
2007-3	August 7, 2007	150,000,000	55,815,000	4.77
2007-4	October 30, 2007	150,000,000	60,845,000	4.79
2008-1	May 29, 2008	60,000,000	22,575,000	4.93
2008-3	September 30, 2008	90,000,000	22,865,000	5.00
2009-1	June 11, 2009	50,000,000	28,040,000	4.39
2009-2	September 30, 2009	75,000,000	42,335,000	4.06
2010-1	October 13, 2010	120,700,000	65,130,000	3.57
2011-1	December 1, 2011	141,255,000	100,120,000	3.80
2012-1	July 19, 2012	133,110,000	107,685,000	3.26
2012-2	November 15, 2012	97,625,000	85,450,000	2.92
TOTAL		$1,687,690,000	$787,835,000	

(1) Bond yield.

As of February 28, 2015, 11,844 mortgage loans in the approximate aggregate principal amount of $841,775,899 were outstanding under the 1985 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1985 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1985 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1985 General Resolution.

Housing Bond Resolution (Mortgage Finance Program)(the "1974 General Resolution")

All bonds then outstanding under the 1974 General Resolution were refunded by the Issue 2013-1 Bonds issued under the 1985 General Resolution. All assets, including mortgage loans, cash, and investments valued as of June 30, 2014, then remaining under the 1974 General Resolution were transferred to the General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the General Resolution, the 2013 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the General Resolution, the 2013 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX G

HOUSING FINANCE PROGRAM LOAN PROCEDURES

General

All Program Loans, or participations therein, to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described below. The General Resolution provides that the Program Loans to be financed with proceeds of the Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the “Code”). The limits vary from county to county and are periodically adjusted.

THDA’s current income limits range from $54,600 to $89,600 depending on household size and geographic location. THDA’s income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA’s acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA’s actual data which justifies a higher limit. THDA’s current maximum acquisition cost limits are either $240,000 or $275,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA’s Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf (“Originating Agents”). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a “first-come, first-serve” basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, up to 2% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from Bond proceeds include mortgage banking firms, commercial banks, and credit unions. The lendable proceeds of the Bonds are made available throughout the State. See Appendix C for a description of THDA’s Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a “first-come, first-serve” basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see “Mortgage Eligibility Requirements” below), (ii) yield and investment requirements (see “Requirements Related to Arbitrage” below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions to service THDA Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms or commercial banks. THDA may also service Program Loans. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval. THDA Servicers currently are U.S. Bank and Magna Bank.

THDA requires regular reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Single Family Programs and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix C.

APPENDIX H

May 28, 2015

Tennessee Housing Development Agency
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, TN 37243-0200

Tennessee Housing Development Agency
Housing Finance Program Bonds

$163,850,000 Issue 2015-A (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $163,850,000 in aggregate principal amount of Housing Finance Program Bonds, Issue 2015-A (Non-AMT) (the “Issue 2015-A Bonds”) of the Tennessee Housing Development Agency (“THDA”), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the “State”), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the “Act”), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2015-A Bonds were authorized to be issued pursuant to the Act, the General Housing Finance Resolution of THDA, adopted November 19, 2009, as amended and supplemented (the “General Resolution”) and by a Resolution adopted by THDA on March 24, 2015, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on April 29, 2015 (together, the “Supplemental Resolution,” and, together with the General Resolution, the “Resolution”).

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2015-A Bonds (collectively, the “Housing Finance Program Bonds”) be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2015-A Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2015-A Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the “Program”).

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to the delivery of the Issue 2015-A Bonds in order that interest on the Issue 2015-A Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2015-A Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2015-A Bonds are valid and legally binding special obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Housing Finance Program Bonds, including the Issue 2015-A Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2015-A Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2015-A Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2015-A Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2015-A Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (iii) interest on the Issue 2015-A Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2015-A Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2015-A Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2015-A Bonds may have to take interest on such Issue 2015-A Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2015-A Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2015-A Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2015-A Bonds.

Very truly yours,

APPENDIX I

HISTORIC DELINQUENCIES AND FORECLOSURES

Delinquencies and Foreclosures as of December 31, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.82%, based on a total of 4,964 Program Loans as of December 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	139	$13,229,077	2.97%	1.85%[4]
VA Guaranteed	0	0	0.00	1.06
Privately Insured	0	0	0.00	0.53
USDA/RD Guaranteed	1	36,785	0.62	(5)
Uninsured	0	0	0.00	(5)
TOTAL	140	$13,265,862[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 7.76%, based on a total of 4,964 Program Loans as of December 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	367	$35,687,481	7.83%	3.25%[4]
VA Guaranteed	4	391,895	9.52	2.32
Privately Insured	0	0	0.00	1.08
USDA/RD Guaranteed	12	983,857	7.45	(5)
Uninsured	2	107,913	3.17	(5)
TOTAL	385	$37,171,146[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.11%, based on a total of 4,964 Program Loans as of December 31, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2014, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2014

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured......................	52	$4,356,920	1.11%	1.86%[4]
VA Guaranteed..................	2	111,794	4.76	1.08
Privately Insured................	1	50,266	10.00	0.50
USDA/RD Guaranteed	0	0	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	55	$4,518,980[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.38%, based on a total of 5,122 Program Loans as of September 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2014

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured......................	119	$11,321,475	2.46%	1.73%[4]
VA Guaranteed..................	1	17,380	2.33	1.07
Privately Insured................	0	0	0.00	0.54
USDA/RD Guaranteed	2	180,524	1.20	(5)
Uninsured	0	0	0.00	(5)
TOTAL	122	$11,519,379[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 7.38%, based on a total of 5,122 Program Loans as of September 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	362	$35,113,368	7.48%	3.85%[4]
VA Guaranteed	3	375,551	6.98	2.43
Privately Insured	1	50,266	8.33	1.08
USDA/RD Guaranteed	10	822,940	6.02	(5)
Uninsured	2	107,707	3.17	(5)
TOTAL	378	$36,469,832[2]		

(1) Rounded figures.
(2) Rounded total,
(3) MBA data for Tennessee for the quarter ending September 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.74%, based on a total of 5,122 Program Loans as of September 30, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2014, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	85	$7,491,187	1.76%	1.82%[4]
VA Guaranteed	2	111,794	4.65	1.12
Privately Insured	0	0	0.00	0.52
USDA/RD Guaranteed	2	152,559	1.20	(5)
Uninsured	0	0	0.00	(5)
TOTAL	89	$7,755,540[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of June 30, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.06%, based on a total of 5,253 Program Loans as of June 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	100	$ 9,699,123	2.01%	1.42%(4)
VA Guaranteed	1	82,420	2.33	0.90
Privately Insured	0	0	0.00	0.56
USDA/RD Guaranteed	6	399,021	3.55	(5)
Uninsured	1	67,163	1.54	(5)
TOTAL	108	$10,247,727(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 6.76%, based on a total of 5,253 Program Loans as of June 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	347	$33,950,211	6.99%	3.80%(4)
VA Guaranteed	2	255,573	4.65	2.44
Privately Insured	1	50,266	8.33	1.10
USDA/RD Guaranteed	4	322,673	2.37	(5)
Uninsured	1	41,360	1.54	(5)
TOTAL	355	$34,620,083(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 2.61%, based on a total of 5,253 Program Loans as of June 30, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2014, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2014

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	132	$12,729,633	2.66%	1.91%(4)
VA Guaranteed	2	111,794	4.65	1.19
Privately Insured	0	0	0.00	0.52
USDA/RD Guaranteed	3	235,727	1.78	(5)
Uninsured	0	0	0.00	(5)
TOTAL	137	$13,077,154(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.55%, based on a total of 5,368 Program Loans as of March 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2014

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance (1)**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	83	$7,976,053	1.64%	1.37%(4)
VA Guaranteed	0	0	0.00	0.88
Privately Insured	0	0	0.00	0.52
USDA/RD Guaranteed	0	0	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	83	$7,976,053(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 5.72%, based on a total of 5,368 Program Loans as of March 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	298	$28,879,601	5.88%	3.97%[4]
VA Guaranteed	2	256,062	4.26	2.49
Privately Insured	1	50,266	8.33	1.11
USDA/RD Guaranteed	5	385,770	2.91	(5)
Uninsured	1	41,748	1.52	(5)
TOTAL	307	$29,613,447[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 2.78%, based on a total of 5,368 Program Loans as of March 31, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of March 31, 2014 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2014, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	143	$14,127,700	2.82%	1.96%[4]
VA Guaranteed	3	203,401	6.38	1.20
Privately Insured	0	0	0.00	0.55
USDA/RD Guaranteed	3	235,727	1.74	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	149	$14,566,828[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Tennessee Housing

Development Agency

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2015-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2015-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (ii) interest on the Issue 2015-1B Bonds and the Issue 2015-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2015-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"), and (iv) interest on the Issue 2015-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2015-1 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2015-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Residential Finance Program Bonds
$25,400,000 Issue 2015-1A (AMT)
$1,995,000 Issue 2015-1B (Non-AMT)
$122,605,000 Issue 2015-1C (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2015-1A Bonds (the "Issue 2015-1A Bonds"), the Issue 2015-1B Bonds (the "Issue 2015-1B Bonds") and the Issue 2015-1C Bonds (the "Issue 2015-1C Bonds" and, together with the Issue 2015-1A Bonds and the Issue 2015-1B Bonds, the "Issue 2015-1 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix G "BOOK-ENTRY-ONLY SYSTEM." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on January 1, 2016, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein. The Record Date for payment of interest on the Offered Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

The Offered Bonds are subject to redemption prior to their stated maturities at the times, at the redemption prices and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are special limited obligations of the Tennessee Housing Development Agency ("THDA") payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about June 11, 2015.

CITIGROUP

RAYMOND JAMES **RBC CAPITAL MARKETS**

FTN FINANCIAL CAPITAL MARKETS **J.P. MORGAN**

J.J.B. HILLIARD, W.L. LYONS, LLC **WELLS FARGO SECURITIES**

May 13, 2015

† Interest on the Issue 2015-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$25,400,000 Issue 2015-1A (AMT)

$25,400,000Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2045 (PAC)	$25,400,000	4.00%	880461EU8

$1,995,000 Issue 2015-1B (Non-AMT)

$1,995,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2016				$1,800,000	0.50%	880461EV6
2017	$195,000	0.80%	880461EW4			

$122,605,000 Issue 2015-1C (Non-AMT)†

$60,285,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[(1)]	Principal Amount Due July 1	Interest Rate	CUSIP Number[(1)]
2016	$ 470,000	0.50%	880461EX2			
2017	1,610,000	0.80	880461EY0	$1,820,000	0.90%	880461EZ7
2018	1,830,000	1.30	880461FK9	1,845,000	1.40	880461FA1
2019	1,860,000	1.70	880461FL7	1,880,000	1.75	880461FB9
2020	1,900,000	1.90	880461FM5	1,920,000	2.00	880461FC7
2021	1,940,000	2.25	880461FN3	1,965,000	2.35	880461FD5
2022	1,990,000	2.45	880461FP8	2,020,000	2.55	880461FE3
2023	2,045,000	2.75	880461FQ6	2,080,000	2.80	880461FF0
2024	2,110,000	2.90	880461FR4	2,140,000	2.90	880461FG8
2025	2,175,000	3.05	880461FS2	2,210,000	3.05	880461FH6
2026	2,245,000	3.15	880461FT0	2,285,000	3.15	880461FJ2
2027	2,325,000	3.25	880461FY9	2,370,000	3.25	880461FZ6
2028	2,415,000	3.40	880461GA0	2,465,000	3.40	880461GB8
2029	2,515,000	3.55	880461GC6	2,565,000	3.55	880461GD4
2030	2,620,000	3.65	880461GF9	2,670,000	3.65	880461FU7

$62,320,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[(1)]
July 1, 2032	$11,245,000	3.85%	880461GE2
July 1, 2035	18,740,000	3.95	880461FV5
January 1, 2038	12,835,000	4.05	880461FX1
July 1, 2045 (PAC)	19,500,000	4.00	880461FW3

PRICE OF ISSUE 2015-1A BONDS DUE JULY 1, 2045 (PAC): 107.626%

PRICE OF ISSUE 2015-1C BONDS DUE JULY 1, 2045 (PAC): 108.362%

PRICE OF ALL REMAINING ISSUE 2015-1 BONDS: 100.000%

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(1) The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

†Interest on the Issue 2015-1C Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Financial Advisor

OFFICIAL STATEMENT

TENNESSEE HOUSING DEVELOPMENT AGENCY

Residential Finance Program Bonds

$25,400,000 Issue 2015-1A (AMT)
$1,995,000 Issue 2015-1B (Non-AMT)
$122,605,000 Issue 2015-1C (Non-AMT)†

INTRODUCTION

This Official Statement (the “Official Statement”) provides certain information in connection with the issuance by the Tennessee Housing Development Agency (“THDA”) of its Residential Finance Program Bonds, Issue 2015-1A in the aggregate principal amount of $25,400,000 (the “Issue 2015-1A Bonds”), Issue 2015-1B in the aggregate principal amount of $1,995,000 (the “Issue 2015-1B Bonds”) and Issue 2015-1C in the aggregate principal amount of $122,605,000 (the “Issue 2015-1C Bonds” and, together with the Issue 2015-1A Bonds and the Issue 2015-1B Bonds, the “Issue 2015-1 Bonds” or the “Offered Bonds”).

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the “Act”). The issuance and sale of the Offered Bonds is authorized by the General Residential Finance Program Bond Resolution, adopted by THDA on January 29, 2013, as amended and supplemented (the “General Resolution”) and by a Resolution adopted by THDA on March 24, 2015, as amended and supplemented by the Bond Finance Committee of THDA (the “Bond Finance Committee”) on May 13, 2015 (the “Issue 2015-1 Supplemental Resolution”). The General Resolution and the Issue 2015-1 Supplemental Resolution are herein collectively referred to as the “Resolution.”

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2015-1 Bonds on March 23, 2015.

The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of March 31, 2015 (unaudited), Bonds in the aggregate principal amount of $592,620,000 were outstanding under the General Resolution, bonds in the aggregate principal amount of $777,080,000 were outstanding under THDA’s Homeownership Program Resolution (the “1985 General Resolution”), and bonds in the aggregate principal amount of $474,015,000 were outstanding under THDA’s Housing Finance Program Resolution (the “2009 General Resolution”). As of March 31, 2015, no bonds were outstanding under THDA’s Housing Bond Resolution (Mortgage Finance Program) (the “1974 General Resolution”). All assets under the 1974 General Resolution have been transferred to the General Resolution. For more information see “RESIDENTIAL FINANCE PROGRAM LOANS-Description of Residential Finance Programs Loans-Transfer of Assets”.

Bonds issued under the General Resolution, including the Offered Bonds, are and will be special limited obligations of THDA, payable solely from the revenues and assets of THDA pledged under the General Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the General Resolution, as more fully described herein under the caption “SECURITY AND SOURCES OF PAYMENT OF BONDS”. All bonds issued under the General Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the “Bonds”. The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the “Public Pledge Act”). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee’s codification of Article 9 of the Uniform Commercial Code.

†Interest on the Issue 2015-1C Bonds is not included in corporations’ calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

The revenues and assets of THDA pledged under the General Resolution are not pledged as security for bonds under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution, respectively, are not pledged as security for Bonds issued under the General Resolution including the Offered Bonds. See Appendix F for descriptions of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution.

THDA may, in the future, elect to issue bonds under the General Resolution or under the 1974 General Resolution, the 1985 General Resolution and/or the 2009 General Resolution. No assurances can be given as to whether THDA may elect to issue bonds under any one of the referenced general resolutions in the future or which of the referenced general resolutions may be selected. Any mortgage loans and investments financed with the proceeds of any new bonds issued under any of the referenced general resolutions, except for the General Resolution, and the revenues therefrom will not be pledged to the payment of Bonds under the General Resolution, including the Offered Bonds.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA expects to use the proceeds from the issuance of the Issue 2015-1A Bonds and the Issue 2015-1B Bonds to (i) refund all Issue 2005-2 Bonds issued and outstanding under the 1985 General Resolution (the "Prior Bonds") and (ii) make a deposit to the Bond Reserve Fund. As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $27,995,445 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS" for information about the Transferred Program Loans. In addition, other investments allocable to the Prior Bonds in the projected amount of approximately $548,678 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on July 1, 2015, at a redemption price of 100% of the principal amount thereof plus accrued interest. No assurance can be provided that the Prior Bonds will actually be refunded.

THDA expects that the proceeds of the Issue 2015-1C Bonds will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Bond Reserve Fund, if required. See "APPLICATION OF BOND PROCEEDS." The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" and in Appendix H.

THDA is in the process of implementing a program for the origination of conventional mortgage loans to be pooled into mortgage-backed securities guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association ("Fannie Mae" and "Fannie Mae Securities"). This program, if fully implemented, could result in use of bond proceeds to purchase Fannie Mae Securities to be held as Program Securities under the General Resolution. THDA may use a portion of the proceeds of the Offered Bonds to purchase Fannie Mae Securities although no assurances can be provided that THDA will do so. See Appendix C for additional information regarding Fannie Mae and Fannie Mae Securities.

As used herein, the term "Program Loans" refers to all mortgage loans (including participations therein) financed under the General Resolution, including the Transferred Program Loans and mortgage loans (including participations therein) to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (including participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans, or participations therein, to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the then existing Program Loan Procedures of THDA. The current Program Loan Procedures are described or otherwise referred to in Appendix H. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program

Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2015-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple in real property located in the State. THDA intends to purchase Program Loans insured by private mortgage insurance only to the extent such Program Loans are pooled into Fannie Mae Securities. While the 2015-1 Supplemental Resolution provides that all Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Currently, THDA's Program Loan portfolio under the General Resolution includes only first-lien, fixed-interest rate, single-family Program Loans with equal monthly installments of principal and interest. As of March 31, 2015 (unaudited), 7,023 Program Loans were outstanding under the General Resolution having an aggregate outstanding principal balance of approximately $596,588,497. Based on the outstanding principal balance of Program Loans as of March 31, 2015, approximately 84.22% were FHA insured, approximately 2.66% were VA guaranteed, approximately 2.42% were insured by private mortgage insurance companies, approximately 6.81% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 3.89% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "RESIDENTIAL FINANCE PROGRAM LOANS – Residential Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, and certain provisions of the Act, the General Resolution, the Issue 2015-1 Supplemental Resolution and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Issue 2015-1 Supplemental Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee. The General Resolution is attached hereto as Appendix E "2013 GENERAL RESOLUTION". **Certain capitalized terms utilized herein are defined in Appendix E hereto.**

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix G "BOOK-ENTRY-ONLY SYSTEM" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2015-1 Bonds and is payable on January 1, 2016, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2015-1A Bonds maturing on July 1, 2045, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2038, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-1A
PAC Term Bonds Due July 1, 2045

Year	Amount Due January 1	Amount Due July 1	
2038	$ 260,000	$1,430,000	
2039	1,460,000	1,495,000	
2040	1,525,000	1,560,000	
2041	1,595,000	1,630,000	
2042	1,670,000	1,705,000	
2043	1,745,000	1,785,000	
2044	1,820,000	1,865,000	
2045	1,905,000	1,950,000	(maturity)

The Issue 2015-1C Bonds maturing on July 1, 2032, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2031, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-1C
Term Bonds Due July 1, 2032

Year	Amount Due January 1	Amount Due July 1	
2031	$2,725,000	$2,780,000	
2032	2,840,000	2,900,000	(maturity)

The Issue 2015-1C Bonds maturing on July 1, 2035, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2033, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-1C
Term Bonds Due July 1, 2035

Year	Amount Due January 1	Amount Due July 1	
2033	$2,960,000	$3,025,000	
2034	3,090,000	3,155,000	
2035	3,220,000	3,290,000	(maturity)

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The Issue 2015-1C Bonds maturing on January 1, 2038, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2036, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-1C
Term Bonds Due January 1, 2038

Year	Amount Due January 1	Amount Due July 1
2036	$3,360,000	$3,015,000
2037	2,355,000	2,405,000
2038	1,700,000 (maturity)	

The Issue 2015-1C Bonds maturing on July 1, 2045, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2038, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-1C
PAC Term Bonds Due July 1, 2045

Year	Amount Due January 1	Amount Due July 1
2038	$ 500,000	$1,080,000
2039	1,105,000	1,130,000
2040	1,155,000	1,180,000
2041	1,205,000	1,235,000
2042	1,260,000	1,290,000
2043	1,315,000	1,345,000
2044	1,380,000	1,410,000
2045	1,440,000	1,470,000 (maturity)

Optional Redemption. The Issue 2015-1 Bonds maturing on and after July 1, 2025, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2025, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The Issue 2015-1A Bonds maturing July 1, 2045 (the "Issue 2015-1A PAC Bonds") and the Issue 2015-1C Bonds maturing July 1, 2045 (the "Issue 2015-1C PAC Bonds" and, together with the Issue 2015-1A PAC Bonds, the "PAC Bonds") are subject to redemption at the option of THDA prior to their maturity, either as a whole or in part, at any time on or after January 1, 2025, at the Redemption Prices set forth below (expressed as a percentage of the principal amount to be redeemed) plus accrued interest to the date of redemption:

Redemption Period	2015-1A PAC Bonds Redemption Price	2015-1C PAC Bonds Redemption Price
January 1, 2025 to June 30, 2025	100.768%	100.855%
July 1, 2025 and thereafter	100.000	100.000

Special Mandatory Redemption of PAC Bonds. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2015-1 Principal Payments (as defined below). Any Excess 2015-1 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing January 1, 2016; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2015-1 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds"), as determined by THDA, then available Excess 2015-1 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "–*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2015-1 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds shall first be applied to redeem PAC Bonds on a pro rata basis and, subject to the application of the 10-year rule as described below under the heading "–*Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2015-1 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the then Outstanding PAC Bonds' proportionate amount of all Issue 2015-1 Bonds then Outstanding, and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

"Excess 2015-1 Principal Payments" means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

"Planned Amortization Amount" means the dollar amount applicable to each PAC Bond for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the Issue 2015-1A PAC Bonds and Issue 2015-1C PAC Bonds, respectively, assumed to be redeemed from Excess 2015-1 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 100% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds" for a description of PSA prepayment rates.

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The Planned Amortization Amounts for the Issue 2015-1A PAC Bonds and Issue 2015-1C PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $27,995,445 with an approximate weighted average maturity of 250 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 100% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedules

Date	Issue 2015-1A PAC Bonds Planned Amortization Amount	Issue 2015-1C PAC Bonds Planned Amortization Amount
January 1, 2016	$ 615,000	$ 465,000
July 1, 2016	1,270,000	975,000
January 1, 2017	2,320,000	1,775,000
July 1, 2017	3,725,000	2,860,000
January 1, 2018	5,470,000	4,195,000
July 1, 2018	7,455,000	5,720,000
January 1, 2019	9,400,000	7,210,000
July 1, 2019	11,235,000	8,620,000
January 1, 2020	12,965,000	9,945,000
July 1, 2020	14,585,000	11,195,000
January 1, 2021	16,105,000	12,365,000
July 1, 2021	17,530,000	13,455,000
January 1, 2022	18,855,000	14,470,000
July 1, 2022	20,080,000	15,415,000
January 1, 2023	21,210,000	16,285,000
July 1, 2023	22,245,000	17,085,000
January 1, 2024	23,195,000	17,805,000
July 1, 2024	24,050,000	18,465,000
January 1, 2025	24,820,000	19,050,000
July 1, 2025	25,400,000	19,500,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent the related PAC Bonds are redeemed from amounts on deposit in the Issue 2015-1 Bonds Subaccount of the Loan Fund not applied to finance Program Loans.

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see “ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds.”

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans as described below under the heading “DESCRIPTION OF OFFERED BONDS – Redemption of Offered Bonds from Unexpended Proceeds”; (ii) except as otherwise described under the headings “DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds”, and “ – Mandatory Redemption – 10 Year Rule”, repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the, “Code”), (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading “DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds”, (b) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of the PAC Bond to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedules and

(c) shall be redeemed on a pro rata basis to the extent of any such special optional redemption. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix E “2013 GENERAL RESOLUTION”), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) of the preceding paragraph shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be so redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) of the preceding paragraph and, to the extent PAC Bonds are redeemed pursuant to any special optional redemption, the PAC Bonds shall be redeemed on a pro rata basis. See “ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments” and “ASSUMPTIONS REGARDING OFFERED BONDS – THDA Redemption Practices”.

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds (including Sinking Fund Payments) or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading “DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds,” the Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the related Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedules only if there are no other Offered Bonds outstanding and if the PAC Bonds are to be redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
June 11, 2015	16.29%
November 17, 2015	18.59
June 11, 2025	100.00

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on May 1, 2016, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2015-1 Bonds Subaccount of the Loan Fund on April 1, 2016, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2015-1 Supplemental Resolution, including without limitation, provision of a Projected Cash Flow Statement.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Offered Bonds are subject to mandatory redemption on December 11, 2018, to the extent any amounts remain on deposit in the Issue 2015-1 Bonds Subaccount of the Loan Fund on November 11, 2018.

Offered Bonds to be redeemed from unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding and, to the extent PAC Bonds are redeemed, the PAC Bonds shall be redeemed on a pro rata basis.

Selection By Lot

If less than all of the Issue 2015-1 Bonds of like series and maturity are to be redeemed, the particular Issue 2015-1 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the General Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth, in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

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APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2015-1 Bonds will be credited or applied as set forth below:

SOURCES		
Par Amount of the Offered Bonds	$	150,000,000.00
Premium on Issue 2015-1A PAC Bond		1,937,004.00
Premium on Issue 2015-1C PAC Bond		1,630,590.00
Transferred Program Loans		27,995,445.52
Transferred Investments		548,678.10
THDA Contribution		1,032,681.04
TOTAL SOURCES	$	183,144,398.66
USES		
Deposit to Loan Fund[1]	$	150,600,445.52
Redemption of Prior Bonds		27,395,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund		1,000,000.00
Deposit to Bond Reserve Fund		3,000,000.00
Costs of Issuance		248,800.00
Underwriters' Fee		900,153.14
TOTAL USES	$	183,144,398.66

(1) Includes $122,605,000.00 in proceeds from Issue 2015-1C plus $27,995,445.52 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable solely from the revenues and assets of THDA pledged under the General Resolution. Subject only to the provisions of the General Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the General Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the General Resolution;

(c) All Funds and Accounts created by the General Resolution, including the Bond Reserve Fund, and monies and securities therein (see Appendix E "2013 GENERAL RESOLUTION"); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the General Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the General Resolution.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. THDA has established a Bond Reserve Fund for the Bonds and the General Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the "Bond Reserve Fund Requirement." The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each series of Bonds established in the Supplemental Resolution authorizing such series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities. On the date of issuance of the Offered Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, on any Interest Payment Date or Redemption Date, there is not a sufficient amount available in the Revenue Fund and the Redemption Fund, if applicable, to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the extent necessary to make good the deficiency.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds and other outstanding bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix E "2013 GENERAL RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

It is a condition to the issuance of the Offered Bonds that THDA shall have prepared and filed a Projected Cash Flow Statement (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement will be based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $27,995,445, with a weighted average maturity of approximately 250 months and a weighted average interest rate of approximately 5.55%, will be allocated to the Offered Bonds and (ii) THDA originates approximately $122,605,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 3.98%. The Projected Cash Flow Statement shall evidence that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions to be used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2015-1 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. Although THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Choice Program Loans, New Start Program Loans, and Homeownership for the Brave Program Loans, THDA does not expect to use proceeds of the Offered Bonds to make New Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" for descriptions of the various Program Loan products and Appendix H "RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2015-1C Bonds will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 3.98% and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans in connection with the sale of bonds by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds; however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans on a blended basis with proceeds of other bonds of THDA or otherwise may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2015-1C Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from Issue 2015-1C Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds on April 20, 2015. As of April 30, 2015, THDA has committed a total principal amount of approximately $12,300,000 of Program Loans, all of which are Great Choice Program Loans and Homeownership for the Brave Program Loans, that will be allocated to the Offered Bonds. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans". Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

In recent years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have taken action in recent years against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix E "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the General Resolution, the resolutions to be adopted in connection with other series of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under

“DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds,” “- Special Optional Redemption of the Offered Bonds, including Cross Calls” and “- Mandatory Redemption – 10-Year Rule”.

THDA Redemption Practices

The Resolution specifies, and the resolutions to be adopted in connection with other series of Bonds under the General Resolution will specify, when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See “DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds.”

To the extent THDA has discretion to redeem Bonds and select the maturities and series to be redeemed, THDA’s general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA’s current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other series of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA’s determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The General Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Bond Reserve Fund contain amounts sufficient to meet the requirements of the General Resolution. See Appendix E “2013 GENERAL RESOLUTION” for a description of Program Expenses. THDA expects to use funds on deposit in the Debt Service and Expense Account of the Revenue Fund to pay Costs of Issuance, Underwriters’ fees, initial Trustee’s fees, and other similar costs associated with the Offered Bonds and may continue to do so in connection with future Bond issues or may pay such costs and fees from Bond proceeds in future transactions. In addition, THDA expects to pay certain Program Expenses, including ongoing Trustee’s fees, servicing fees, foreclosure fees and expenses and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from other THDA bond resolutions and from other resources available to THDA. No assurances can be provided that THDA will not withdraw funds from the General Resolution in the future to pay all Program Expenses or other operating and administrative costs and expenses. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see “THDA – THDA Funds”. THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until June 11, 2018, 0.50% per annum until June 11, 2021, 1.00% per annum until June 11, 2025, and 1.25% per annum thereafter; and (iii) funds on deposit in the Issue 2015-1 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association ("PSA")) prepayment standard or model (commonly referred to as the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, "0% PSA" assumes no prepayments of principal on the Program Loans. "25% PSA" assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. "50% PSA" assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. "75% PSA" assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. "100% PSA" assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. "150% PSA" assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "200% PSA" assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. "300% PSA" assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "400% PSA" assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. "500% PSA" assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under "Changes in Federal or State Law" above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds", and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2015-1 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $27,995,445 of Transferred Program Loans with an approximate weighted average maturity of 250 months and an approximate weighted average interest rate of 5.55% will be allocated to the Offered Bonds, (iii) Excess 2015-1 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the related Planned Amortization Amounts as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see "DESCRIPTION OF TRANSFERRED PROGRAM LOANS" herein.

Projected Weighted Average Lives for PAC Bonds

PSA Speed	Issue 2015-1A PAC Bond Average Life (in years)	Issue 2015-1C PAC Bond Average Life (in years)
0%	26.3	26.3
25	20.4	20.3
50	13.5	13.5
75	8.0	8.0
100	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	4.6	4.6

RESIDENTIAL FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $637,205,000 total original principal amount of bonds under the General Resolution, of which $592,620,000 (unaudited) were outstanding as of March 31, 2015, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of March 31, 2015 (unaudited)	Original Net Interest Cost[(1)]
Issue 2013-1	May 30, 2013	$215,905,000	$184,740,000	3.13%
Issue 2013-2	November 19, 2013	121,300,000	112,390,000	3.59
Issue 2014-1	May 29, 2014	150,000,000	145,490,000	3.20
Issue 2014-2	November 20, 2014	150,000,000	150,000,000	2.91
TOTAL		$637,205,000	$592,620,000	

(1) Bond yield.

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Origination Experience

THDA's experience from May 30, 2013, to March 31, 2015, regarding origination of Program Loans(1) from lendable proceeds of Bonds issued under the General Resolution since May 30, 2013, is shown in the following table:

Issue of Bonds	Lendable Proceeds(2)	Program Loans Financed(3) as of March 31, 2015 Amount	%	Weighted Average Interest Rate(4)
Issue 2013-1	$135,268,395	$135,268,395	100.00%	4.11%
Issue 2013-2	78,421,003	78,421,003	100.00	4.60
Issue 2014-1	119,728,634	119,728,634	100.00	4.08
Issue 2014-2	111,820,000	81,683,776	73.05	4.37
TOTAL	$445,238,032	$415,101,808		

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for more information about Program Loans.

(2) Excludes proceeds that must be lent at 0% interest as participations in other Program Loans.

(3) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included.

(4) The weighted average interest rate relates only to new loans made from the lendable proceeds of the related bond issue and does not include any transferred loans derived from any refunding component of the related bond issue.

THDA began committing Program Loans against the expected lendable proceeds from the Offered Bonds on April 20, 2015, and as of April 30, 2015, THDA has committed a total principal amount of approximately $12,300,000 of Program Loans that will be allocated to the Offered Bonds, all of which are Great Choice Program Loans or Homeownership for the Brave Program Loans. THDA expects to reimburse itself for the full original principal amount of the Program Loans purchased as of the day of closing.

RESIDENTIAL FINANCE PROGRAM LOANS

Description of Residential Finance Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits and THDA Acquisition Cost Limits for all loan programs are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits are either $240,000 or $275,000 depending on geographic location. The THDA Household Income Limits range from $54,600 to $89,600 depending on household size and geographic location. See Appendix H for a description of Residential Finance Program Loan Procedures related to Code requirements.

All Program Loans, or participations therein, to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix H. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2015-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase participations in Program Loans insured by private mortgage insurance. While the Issue 2015-1 Supplemental Resolution provides that all participations in Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Since April 15, 2009, THDA has applied underwriting standards for Program Loans made after that date that, among other things include (i) a minimum credit score of 620 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. Program Loans financed prior to such date, including the Transferred Program Loans, were underwritten under different underwriting standards. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

On or before September 30, 2013, the THDA primary loan program included Great Rate loans, Great Advantage loans, Great Start loans and Homeownership for the Brave loans, all as described below. Transferred Program Loans financed prior to September 30, 2013, are Great Rate, Great Advantage, Great Start or Homeownership for the Brave Program Loans. On and after October 1, 2013, the THDA primary loan program includes Great Choice Program loans and Homeownership for the Brave Program loans, all as described below.

On or before September 30, 2013, THDA provided downpayment and closing cost assistance in the form of a grant that was available in connection with Great Start and Great Advantage Program Loans. Higher interest rates on these two Program Loan types reimbursed THDA for the grants made. On and after October 1, 2013, THDA provided downpayment and closing cost assistance in the form of Great Choice Plus Program Loans as described below.

Great Choice Program Loans

Since October 1, 2013, THDA has made Great Choice Program Loans available to eligible borrowers. Great Choice Program Loans are thirty year, fixed interest rate loans, fully amortized with full documentation and secured by a first lien on the property purchased. The interest rate for Great Choice Program Loans is set at a rate which results in the yield on such Program Loans not in excess of 1.125% above the yield on the related issue of bonds. The current interest rate for Great Choice Program Loans is 3.99%.

Great Choice Plus Loans

Since October 1, 2013, THDA has made Great Choice Plus loans available to eligible borrowers. Great Choice Plus loans are loans for downpayment and closing cost assistance and are available at the election of eligible borrowers in connection with Great Choice Program Loans. From October 1, 2013, to September 30, 2014, they were ten year, 0% interest rate loans in a principal amount equal to 4% of the purchase price of the property purchased. Since October 1, 2014, Great Choice Plus Loans are 0% interest, deferred, forgivable second lien loans with a fifteen year term. During the first ten years of the term, no monthly payments are due, but each Great Choice Plus loan will be due on sale and the amount due will be the full original principal amount of the loan. From years eleven through fifteen, each Great Choice Plus loan will be forgiven at twenty percent per year and the amount due on sale will be reduced by the forgiven amount. Great Choice Plus loans are secured by a second lien on the property purchased, are due on sale and are not assumable.

At the election of THDA, Great Choice Plus loans may be financed with proceeds of Bonds issued under the Resolution or from other resources available to THDA, including, without limitation, excess funds under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. To date, all Great Choice Plus loans have been financed with other resources available to THDA and will not be funded with the proceeds of the Offered Bonds. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Great Choice Plus loans with the proceeds of such Bonds. In the event proceeds of future series of Bonds are used to fund Great Choice Plus loans, such loans will constitute Program Loans, will be subject to the lien of the General Resolution and will be a portion of the sources of payment of and security for the Bonds.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of 60% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. An interest rate equal to one-half of the current interest rate for

Great Choice Program Loans is available to borrowers who have a maximum family income of 70% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. All other THDA Program Loan requirements remain applicable. As of March 31, 2015 (unaudited), 84 New Start Program Loans, with an aggregate principal balance of approximately $4,449,448, were outstanding under the General Resolution. THDA may continue to finance New Start Program Loans, from time to time, from proceeds of the Offered Bonds as well as from proceeds of other Bonds.

Homeownership for the Brave

Homeownership for the Brave Program Loans are available to eligible borrowers at a ½-percentage point reduction on the otherwise applicable loan program. Active and retired members of the military and reservists (180 days active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of March 31, 2015 (unaudited), 100 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $11,101,703, were outstanding under the General Resolution. Eligible borrowers will also be eligible for Great Choice Plus loans. THDA may continue to finance Homeownership for the Brave Loans, from time to time, from the proceeds of the Offered Bonds as well as from the proceeds of other Bonds.

Disaster Relief and Economic Recovery Mortgage Program

THDA made Disaster Relief and Economic Recovery Mortgage Program Loans from funds available under the 1974 General Resolution. In connection with Issue 2013-1 Bonds issued under the General Resolution, certain of these Disaster Relief and Economic Recovery Program Loans became Transferred Program Loans allocable to the Issue 2013-1 Bonds under the General Resolution. As of March 31, 2015 (unaudited), 236 Disaster Relief Program Loans, with an aggregate principal balance of approximately $15,579,570, were outstanding under the General Resolution. THDA no longer makes loans of this type.

Great Rate/Great Advantage/Great Start Program Loans

Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were available to qualified borrowers who had loan applications dated on or before September 30, 2013. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan were established at rates which resulted in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds.

An amount equal to 4% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA financed this downpayment and closing cost assistance from excess revenues available outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance.

As of March 31, 2015, 1,275 Great Rate, 26 Great Advantage, and 1,805 Great Start Program Loans, with an aggregate principal balance of approximately $289,000,000, were outstanding under the General Resolution.

Although Transferred Program Loans include Great Rate or Great Start Program Loans, THDA no longer makes loans of this type.

Residential Finance Program Portfolio Data

General

As of March 31, 2015 (unaudited), 7,023 Program Loans for single family owner-occupied housing having an aggregate outstanding principal amount of approximately $596,588,497 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 309.3 months and an approximate weighted average interest rate of 4.51%.

All tables under this heading, “Residential Finance Program Portfolio Data”, include data about 1974 General Resolution Transferred Loans, but do not include data about Transferred Program Loans. For more information about 1974 General Resolution Transferred Loans see “RESIDENTIAL FINANCE PROGRAM LOANS-Description of

Residential Finance Program Loans-Transfer of Assets". For more information about Transferred Program Loans see "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS".

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of March 31, 2015 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA[(1)]	**Number of Program Loans**	**Outstanding Balance**[(3)]	**Percent of Total Number of Program Loans**[(3)]	**Percent of Outstanding Balance**[(3)]
FHA Insured	5,915	$520,772,520	84.22%	87.29%
VA Guaranteed	187	16,330,515	2.66	2.74
Privately Insured	170	11,787,490	2.42	1.98
USDA/RD Guaranteed	478	30,226,475	6.81	5.07
Uninsured[(2)]	273	17,471,497	3.89	2.93
TOTAL	7,023	$596,588,497[(4)]	100.00%[(4)]	100.00%[(4)]

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least 'AA' by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P"). Should any private mortgage insurers regain a rating of at least 'AA' from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Program Loans allocated to Bonds under the General Resolution upon the refunding of other THDA obligations, including certain of the Transferred Program Loans, are privately insured and are shown under the heading "Privately Insured" in the chart above.

Each private mortgage insurer insuring conventional, privately insured Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least 'AA' by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least 'AA' by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

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As of March 31, 2015 (unaudited), 170[1] privately insured Program Loans having an aggregate balance of approximately $11,787,490 were outstanding under the General Resolution. As of March 31, 2015 (unaudited), THDA had the following information regarding the private mortgage insurers for 109 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [3]	Percent of Total Number of Program Loans[3]	Percent of Outstanding Balance [3]
Commonwealth/CMAC	3	$ 94,287	0.04%	0.02%
Genworth Mortgage Insurance Corp. (GE)	34	2,613,083	0.48	0.44
MGIC	31	2,749,943	0.44	0.46
PMI Mortgage Insurance Co.[2]	1	84,748	0.01	0.01
Radian Guaranty Inc.	3	188,336	0.04	0.03
Republic Mortgage Insurance Corporation	25	1,754,513	0.36	0.29
Triad Guaranty Insurance Corporation	4	320,855	0.06	0.05
United Guaranty Residential Insurance Co.	8	547,977	0.11	0.09
TOTAL	109	$8,353,742[4]	1.55%[3]	1.40%[4]

(1) The private mortgage insurer is not identified with respect to 61 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) PMI Mortgage Insurance is under the oversight of the Arizona Department of Insurance and, effective October 25, 2011, will pay claims only at the rate of $.70 per $1.00.

(3) Rounded figures.

(4) Rounded total.

In addition to the foregoing, THDA is in the process of implementing a program under which THDA approved originating agents would make loans to qualified borrowers to finance the purchase of qualified single-family residences in Tennessee that are insured by private mortgage insurance issued by an entity acceptable to Fannie Mae. Such loans would be pooled and would back Program Securities guaranteed as to timely payment of principal and interest by Fannie Mae. THDA may purchase such Program Securities using bond proceeds and such purchased Program Securities would be held under the General Resolution. THDA may use a portion of proceeds of the Offered Bonds to purchase Fannie Mae Securities although no assurances can be provided that THDA will do so. THDA does not expect to use proceeds of the Offered Bonds to directly purchase conventional loans backed by private mortgage insurance unless such loans are pooled into Program Securities. See Appendix C for additional information regarding Fannie Mae and Fannie Mae Securities.

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Program Loan Interest Rates

The following table summarizes, as of March 31, 2015 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[(1)]	Outstanding Balance[(2)]	Percent of Total Number of Program Loans[(2)]	Percent of Outstanding Balance[(2)]
0.00-0.99	156	$ 7,927,787	2.22%	1.33%
1.00-1.99	0	0	0	0.00
2.00-2.99	0	0	0	0.00
3.00-3.99	1,775	203,643,938	25.27	34.13
4.00-4.49	1,754	203,076,602	24.98	34.04
4.50-4.99	793	64,238,589	11.29	10.77
5.00-5.49	293	24,705,726	4.17	4.14
5.50-5.99	1,007	44,560,381	14.34	7.47
6.00-6.49	193	15,410,608	2.75	2.58
6.50-6.99	464	17,134,901	6.61	2.87
7.00-7.49	255	7,511,980	3.63	1.26
7.50-7.99	232	5,809,233	3.30	0.97
8.00-8.49	87	2,431,584	1.24	0.41
8.50-8.99	0	0	0.00	0.00
9.00-9.49	5	100,706	0.07	0.02
9.50-12.00	9	36,463	0.13	0.01
TOTAL	7,023	$596,588,498[(3)]	100.00%[(3)]	100.00%[(3)]

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

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Delinquencies and Foreclosures as of March 31, 2015

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.42%, based on a total of 7,023 Program Loans as of March 31, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2015

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	88	$7,084,918	1.49%	1.85%(4)
VA Guaranteed	1	75,328	0.53	1.06
Privately Insured	0	0	0.00	0.53 (5)
USDA/RD Guaranteed	8	537,372	1.67	(6)
Uninsured	3	182,962	1.10	(6)
TOTAL	100	$7,880,580(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.03%, based on a total of 7,023 Program Loans as of March 31, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2015

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	249	$17,641,440	4.21%	3.25%(4)
VA Guaranteed	5	261,355	2.67	2.32
Privately Insured	9	303,863	5.29	1.08 (5)
USDA/RD Guaranteed	20	1,298,393	4.18	(6)
Uninsured	0	0	0.00	(6)
TOTAL	283	$19,505,051(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.27%, based on a total of 7,023 Program Loans as of March 31, 2015 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of March 31, 2015 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2014, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	18	$1,032,909	0.30%	1.86%[4]
VA Guaranteed	1	112,047	0.53	1.08
Privately Insured	0	0	0.00	0.50 [5]
USDA/RD Guaranteed	0	0	0.00	[6]
Uninsured	0	0	0.00	[6]
TOTAL	19	$1,144,956[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

As of March 31, 2015, the Transferred Program Loans have an approximate weighted average maturity of 251.62 months and a weighted average interest rate of 5.55% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS – Prepayment Experience of Transferred Program Loans" below. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of March 31, 2015; the Transferred Program Loans will not be allocable to the Offered Bonds until June 11, 2015, and Transferred Program Loan characteristics may change slightly from March 31, 2015, to June 11, 2015).

Transferred Program Loans by Loan Type

Type of Mortgage	**Number**	**Principal Amount [3]**	**% of Transferred Principal Amount**
FHA Insured	271	$22,003,230	76.89%
VA Guaranteed	12	986,674	3.45
Privately Insured[1]	17	1,202,540	4.20
USDA/RD Guaranteed	40	3,166,832	11.07
Uninsured[2]	17	1,256,405	4.39
TOTAL	357	$28,615,681 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.
(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.
(3) Rounded figures.
(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least ‘AA’ by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least ‘AA’ by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of March 31, 2015 (unaudited), 17 privately insured Transferred Program Loans having an aggregate principal balance of approximately $1,202,540 were outstanding.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to the Prior Bonds. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to the Prior Bonds for the 3 month, 6 month and 12 month periods ended on March 31, 2015, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Interest Rate
2005-2	255%	304%	281%	222%	5.55%

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.12%, based on a total of 357 Transferred Program Loans as of March 31, 2015 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2015, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2015

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% by Type of Program Loan	% by Loan Type
FHA Insured	4	$252,232	1.48%	1.85%(4)
VA Guaranteed	0	0	0.00	1.06
Privately Insured	0	0	0.00	0.53 (5)
USDA/RD Guaranteed	0	0	0.00	(6)
Uninsured	0	0	0.00	(6)
TOTAL	4	$252,232 (2)		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending December 31, 2014.

(4) FHA fixed rate mortgage loans

(5) Prime fixed rate mortgage loans.

(6) MBA does not report data in these categories.

The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 5.32%, based on a total of 357 Transferred Program Loans as of March 31, 2015 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of March 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	16	$1,090,270	5.90%	3.25%[4]
VA Guaranteed	1	69,163	8.33	2.32
Privately Insured	0	0	0.00	1.08 [5]
USDA/RD Guaranteed	1	64,856	2.50	[6]
Uninsured	1	44,499	5.88	[6]
TOTAL	19	$1,268,788[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 0.28%, based on a total of 357 Transferred Program Loans as of March 31, 2015 (unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of March 31, 2015 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending December 31, 2014, are shown in the following table:

IN FORECLOSURE AS OF MARCH 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance [1]**	**% by Type of Program Loan**	**% by Loan Type**
FHA Insured	1	$99,117	0.37%	1.86%[4]
VA Guaranteed	0	0	0.00	1.08
Privately Insured	0	0	0.00	0.50 [5]
USDA/RD Guaranteed	0	0	0.00	[6]
Uninsured	0	0	0.00	[6]
TOTAL	1	$99,117 [2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix J.

FINANCIAL SUMMARY OF GENERAL RESIDENTIAL FINANCE PROGRAM

Consolidated Revenues and Net Position

The following table summarizes consolidated revenues and net position for Residential Finance Program Bonds for the two most recent years, and for the six months ended December 31, 2014, and December 31, 2013. Data in the table is expressed in thousands and is taken from THDA's audited financial statements as of and for the year ended June 30, 2014, and 2013, and for the six months ended December 31, 2014 (unaudited) and December 31, 2013 (unaudited).

	Six Months Ended December 31 (Unaudited)		Year Ended June 30 (Audited)	
Residential Finance Bond Group	**2014**	**2013**	**2014**	**2013**
REVENUES:				
Interest on Mortgages	$ 11,612	$ 5,219	$ 13,518	$ 222
Investment Income:				
Interest	882	155	335	10
Net Increase (decrease) in the Fair Value of Investments	(105)	101	(146)	(83)
Fees and Other Income	37		-	76
	12,426	5,475	13,707	225
EXPENSES:				
Interest	7,596	3,542	9,087	551
Issuance Cost	1,108	888	2,167	1,679
Mortgage Servicing Fees	932	361	980	18
Down Payment Assistance Grants			-	-
Other	454	102	239	1
	10,090	4,893	12,473	2,249
Excess of Revenues over Expenses	2,336	582	1,234	(2,024)
Net Position at beginning of period	105,707	(68,279)	(68,279)	-
Other Transfers	18,864	101,267	172,752	(66,255)
Net Position at end of period	$ 126,907	$ 33,570	$ 105,707	$ (68,279) [(1)]

[(1)] On May 30, 2013 THDA issued its Issue 2013-1 Bonds under the General Resolution. Proceeds of the Issue 2013-1 Bonds in an aggregate principal amount of $75,905,000 were applied to the refunding of THDA's Issue 2003-A Bonds under the 1974 General Resolution and THDA's Issue 2004-1 Bonds under the 1985 General Resolution. While the Issue 2013-1 Bonds were issued on May 30, 2013, the assets allocable to the Issue 2003-A and the Issue 2004-1 Bonds in an aggregate amount of approximately $99,855,200 did not transfer to the General Resolution until July 1, 2013, the date of the redemption of such bonds. As a result of such transfer, the net position of the General Resolution as of July 1, 2013, was approximately $31,576,000 (unaudited).

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Investments

THDA's non-mortgage investments of funds held under the General Resolution consist of Investment Securities as authorized in the Resolution. THDA solicits bids in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of March 31, 2015 (unaudited), the General Resolution investment portfolio was placed as follows:

Types of Investments	Short Term(1) Amount	Long Term(2) Amount
Federal Farm Credit Bank Notes	$ 0	$ 100,013
Federal Home Loan Bank Notes	17,109,664	23,744,494
Federal Home Loan Mortgage Corporation Notes	2,699,587	12,781,994
Fannie Mae Notes	1,045,636	12,541,231
Financing Corporation Bonds	0	2,754,466
United States Treasury Bonds	0	5,399,825
TOTAL	$ 20,854,887	$ 57,322,023

As of March 31, 2015 (unaudited), amounts in the Bond Reserve Fund, a portion of the General Resolution investment portfolio described above, were invested as follows:

Types of Investments	Short Term(1) Amount	Long Term(2) Amount
Federal Home Loan Bank Notes	$ 0	$ 14,586,760
Federal Home Loan Mortgage Corporation Notes	0	1,090,689
Fannie Mae Notes	0	4,246,091
TOTAL	$ 0	$ 19,923,540

(1) Short term investments include cash equivalents and investments that mature in one year or less.

(2) Long term investments include investments that mature in more than one year regardless of call features.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

In accordance with Tennessee law, state entities, including THDA, are subject to periodic review by the General Assembly to evaluate the necessity for their continued existence. THDA's existence has been continued until June 30, 2018.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of March 31, 2015 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $1,844,715,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that six board members be appointed by the Governor from among the following groups: retail building material supply, manufactured housing, home building, mortgage banking, licensed real estate brokers, local public housing authority, local government and qualifying non-profits. The Act also provides for a board member to be appointed by the Speaker of the State Senate, a board member to be appointed by the Speaker of the State House of Representatives, two at-large board members appointed by the Governor who are knowledgeable about the problems of inadequate housing conditions in Tennessee and any board members as may be required by applicable federal law or regulation. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors[(1)] are shown below:

Name	Term Expires	Principal Occupation
Phil M. Baggett	June 30, 2015	Owner, Tennessee Grass Fed Beef Clarksville, TN
John L. Baker	June 30, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	June 30, 2017	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Philip C. Chamberlain, II	June 30, 2015	Vice President, Chamberlain & McCreery Memphis, TN
Dorothy L. Cleaves	June 30, 2016	First Vice President, Paragon National Bank Memphis
Kendra Cooke	June 30, 2017	Broker, Cooke Realty Partners/Bob Parks Realty Brentwood, TN
Tre Hargett[(2)]	January, 2017	Secretary of State
Ronald K. Jones	June 30, 2016	Executive Director, Trevecca Towers Nashville
David H. Lillard, Jr.[(2)]	January, 2017	State Treasurer
Larry Martin[(2)]	(3)	Commissioner, Department of Finance and Administration
Ashleigh Harb Roberts[(2)]	(3)	Deputy Counsel to the Governor
Benjie Shuler	June 30, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Mike Stevens	June 30, 2015	President, Mike Stevens Homes, Inc. Knoxville, TN
Justin Wilson[(2)]	January, 2017	Comptroller of the Treasury

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(1) Two Board of Directors positions appointed by the Governor are vacant including one position appointed under T.C.A. Section 13-23-107(a) and one position appointed under T.C.A. Section 13-23-107(c).

(2) Ex officio member.

(3) Serves at pleasure of the Governor.

Executive Staff Members

THDA employs a staff of approximately 210 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Lindsay Hall – Senior Director of Single Family Programs since 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Gathelyn (Gay) Oliver, C.P.A. - Director of Internal Audit since 2013. Formerly, Tennessee Department of Human Services (2010-2013); Randa Solutions (2009-2010); Beacon Technologies (2007-2009); BellSouth (1999-2007); Tennessee Department of Revenue (1988-1997, 1998-1999), Tennessee Department of Environment and Conservation(1997-1998). B.B.A., Middle Tennessee State University, M.B.A., Vanderbilt University Owen Graduate School of Management.

Trent Ridley – Chief Financial Officer since 2006. THDA employee since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

THDA's principal office is located at 502 Deaderick Street, 3rd Floor, Nashville, Tennessee 37243-0200, and its telephone number is (615) 815-2200. THDA has regional offices in four (4) locations elsewhere in the State for the purpose of administering the Housing Choice Voucher rental assistance program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Residential Finance Program and all of the other general bond resolutions and mortgage loan programs of THDA.

The Housing Program Fund is the vehicle used by THDA to fund non-mortgage programs not otherwise funded through federal programs. Essentially, all revenues of THDA derived from sources other than the Residential Finance Program or other bond resolutions are deposited into the Housing Program Fund. Amounts in the Housing Program Fund currently include investment income from the Housing Program Fund, federal funds received by THDA for the administration of federal programs, and fees charged by THDA in connection with its non-mortgage programs. Amounts in the Housing Program Fund are not pledged as security for the Offered Bonds.

The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings, but which presently has a balance of $0. Amounts in the Assets Fund, if any, are not pledged as security for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program no longer administered by THDA. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are appropriated to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002.

Notwithstanding the foregoing, if projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Payment of THDA Operating Expenses, Including Program Expenses

THDA currently receives no funds from the State of Tennessee for operating and administrative expenses. THDA currently pays all operating and administrative expenses, including certain Program Expenses of the General Housing Finance Program, with funds available therefor from other THDA bond resolutions and from other resources available to THDA. THDA may pay certain expenses, such as Costs of Issuance, Underwriter's fees, initial Trustee's fees, and other similar costs from amounts on deposit in the Debt Service and Expense Account of the Revenue Fund. THDA currently expects to continue to pay certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure fees, and other similar costs from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from other THDA bond resolutions and from other resources available to THDA. No assurance can be provided that THDA will not withdraw funds from the General Resolution in the future to pay all Program Expenses and operating and administrative costs that are not Program Expenses. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses. Regardless of THDA's best efforts and in the event of additional transfers to the State, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees); higher education employees; teachers; and employees of certain local governments. There are 57,410 active members in TCRS in the state and higher education employee group at June 30, 2014. This total includes 242 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees hired prior to July 1, 2014, in the state and higher education group, including THDA employees, are noncontributory. New employees hired on or after July 1, 2014, will contribute 5% of salary.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. The past practice has been that an actuarial valuation is performed every other year. The next actuarial valuation is scheduled for July 1, 2015. The TCRS Board of Trustees adopted a pension funding policy to begin annual actuarial valuations going forward.

Actuarial Data

At July 1, 2013, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was $1.466 billion, resulting in a funded ratio of 89.40%. The unfunded actuarial liability would have been $1.995 billion if based on the market value of assets with the funded ratio being 85.56%. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2012, and ending June 30, 2014, is 15.03% based on the actuarial valuation performed as of July 1, 2011. The actuarial valuation, as of July 1, 2013, established the same employer contribution rate (15.03%) for the period July 1, 2014, to June 30, 2016, for employees hired before July 1, 2014, while the employer rate will be 4% for employees first hired after June 30, 2014.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2015	15.03%	$13,016,900*	$1,956,440*	1.39%*
2014	15.03	11,721,300	1,761,711	1.19
2013	15.03	11,315,872	1,692,847	1.26
2012	14.91	11,005,204	1,632,095	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

*Estimated

For the fiscal year ending June 30, 2014, the salary of THDA employees totaled $11,721,300, which represents 0.48% of the $2.47 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred investment losses that have been actuarially smoothed are recognized over the next ten years.

New Retirement Plan for Employees Hired on or after July 1, 2014

As authorized by Public Chapter 259, Acts of 2013, employees first hired on or after July 1, 2014, will participate in a retirement plan consisting of a defined benefit plan and a defined contribution plan. Employees will contribute at 5% of salary to the defined benefit plan. Employees will contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans will be limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan.

The benefit accrual formula under the new retirement plan will be 1% versus 1.575% in the closed pension plan. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90) under the new plan while the closed plan is age 60 or 30 years of service. Vesting is 5 years for both plans. Within the new retirement plan, there is a stabilization reserve created for any employer contributions that exceed the actuarially required employer rate that will be utilized to control cost and unfunded liabilities.

The defined benefit component of the new retirement plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the new retirement plan and do not apply to the closed pension plan.

Governmental Accounting Statements 67 and 68

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 67 relative to financial reporting for pension plans and Statement No. 68 relative to accounting and financial reporting for pensions for governmental entities. The statements essentially separate pension accounting from pension funding, which have historically been linked together. Statement No. 68 provides a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, Statement No. 68 provides a methodology for measuring the pension liability to be presented in the employer's financial statement. Regardless, financial statement presentation will not affect the pension funding methodologies described herein. For TCRS, Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and Statement No. 68 for the State will be effective for the fiscal year ended June 30, 2015.

Deferred Compensation Plan

The deferred compensation program is a voluntary defined contribution plan to provide state employees and higher education employees with the opportunity to accumulate supplemental retirement income on a tax advantaged basis. The program offers employees two plans, a 457 plan and a 401(k) plan. The contributions to the 401(k) plan can be made to both traditional and/or Roth plans.

Employee contribution limits to the 401(k) plan are established by federal statute. In the 401(k) plan, employee contributions are matched by employer contributions up to a maximum of $50 per month. Employer contributions are subject to the funding being appropriated in the budget each fiscal year; otherwise no match will be made by THDA. Employees are immediately vested in employee and employer contributions. Employees can choose to invest employer and employee contributions among a variety of investment products.

Employee contribution limits to the 457 plan are established by federal statute. There are no employer contributions to the 457 plan. Employees are immediately vested in employee contributions. Employees can choose to invest contributions among a variety of investment products.

For the fiscal year ended June 30, 2014, 158 THDA employees made contributions to the 401(k) plan and 9 THDA employees made contributions to the 457 plan. THDA made employer contributions to the 401(k) plan that totaled $84,065 while THDA employees contributed $229,820 to both the 401(k) plan and the 457 plan.

One component of the new retirement plan is a defined contribution plan for state employees and higher education employees entering service on or after July 1, 2014. By statute, employer contributions are made at the rate of 5% of salary. However, employer contributions may be reduced as part of the cost controls and unfunded liability controls as previously described in the defined benefit plan component. Upon employment, employees are automatically enrolled to contribute 2% of salary to the defined contribution plan but employees may elect to increase or decrease the employee contributions at any time. Employees are immediately vested in employee and employer contributions. Employees can choose among a variety of investment products.

Other Post-Employment Benefits

Certain other GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2013, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that for the fiscal year ended June 30, 2014, the total unfunded actuarial liability of THDA is approximately $2,964,000 and the annual required contribution for THDA is approximately $345,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2016. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix E. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2015-1A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2015-1B Bonds and the Issue 2015-1C Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2015-1B Bonds will be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (iv) interest on the Issue 2015-1C Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a “Premium Bond”) over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) assigned the Offered Bonds a rating of ‘Aa1’ and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLP business (“S&P”) assigned the Offered Bonds a rating of ‘AA+’. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody’s and Standard & Poor’s. THDA has furnished to Moody’s and Standard & Poor’s certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

Due to the ongoing uncertainly regarding the economy of the United States of America (including, without limitation, matters such as the current and future political uncertainty regarding the United States debt limit), obligations, such as the Offered Bonds, issued by state and local governments, and instrumentalities thereof, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

CONTINUING DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 2009 General Resolution will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the “Rule”) under the Securities Exchange Act of 1934, THDA, in the Issue 2015-1 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2015-1 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in “FINANCIAL STATEMENTS” below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under “RESIDENTIAL FINANCE PROGRAM BONDS,” and “RESIDENTIAL FINANCE PROGRAM LOANS” including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, (ii) contained in Appendix F hereto and (iii) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, “Annual Financial Information”). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA’s audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserve funds reflecting financial difficulties; (iv) unscheduled draws on any credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the “IRS”) of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2015-1 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2015-1 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2015-1 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2015-1 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix I. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the year ended June 30, 2014, and June 30, 2013, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the six months ended December 31, 2014, and December 31, 2013. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

UNDERWRITING

Citigroup Global Markets Inc., RBC Capital Markets, LLC, Raymond James & Associates, Inc., FTN Financial Capital Markets, J.P. Morgan Securities LLC, Wells Fargo Bank, National Association, and J.J.B. Hilliard, W.L. Lyons, LLC (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at the prices indicated on the inside cover of this Official Statement. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $900,153.14. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup, an underwriter of the Offered Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Offered Bonds.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly-owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the General Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the General Resolution and to cause such books to be audited for each fiscal year. The General Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor’s report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
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PHONE (615) 401-7897
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of and for the years ended June 30, 2014, and June 30, 2013, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2014, and June 30, 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency's internal control over financial reporting and compliance.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
November 3, 2014

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2014, and June 30, 2013, with comparative information presented for the fiscal year ended June 30, 2012. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2014, THDA has originated over 115,000 single-family mortgage loans in its 41-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 75 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows, as well as notes to the financial statements. The statements of net position provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses, and changes in net position summarize the results of operations over the course of each fiscal year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discreetly presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at www.tn.gov/finance/act/cafr.shtml.

During fiscal year 2013, THDA implemented several accounting standards, including GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* Among the requirements of these pronouncements, GASB Statement 63 required the reclassification of net assets to net position; as well as the reclassification of certain deferred amounts to new categories called deferred outflows of resources and deferred inflows of resources. As applicable to THDA, deferred amounts from bond refundings, which were previously reported as a component of bonds payable (noncurrent), are now reported as deferred outflows of resources. In addition, bond issuance costs, which previously was reported as an asset (deferred charges) and amortized over the life of the bonds, is now recognized as expense in the period when incurred. GASB Statement 65 required retroactive implementation and reporting for all financial periods presented; therefore, beginning net position for fiscal year 2012 was restated to reflect the retroactive application of GASB Statement 65.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2014

- Total assets decreased by $162.7 million, or 6.0%.
- Deferred outflows of resources decreased $1.0 million, or 45.3%.
- Total liabilities decreased by $164.2 million, or 7.5%.
- Net position was $526.9 million. This is an increase of $0.5 million, or 0.1%, from fiscal year 2013.
- Cash and cash equivalents decreased by $130.9 million, or 32.4%.
- Total investments decreased by $31.2 million, or 11.0%.
- Bonds payable decreased by $152.5 million, or 7.1%.
- THDA originated $227.3 million in new loans, which is a decrease of $15.1 million, or 7.1%, from the prior year.

Year Ended June 30, 2013

- Total assets increased by $102.4 million, or 3.9%.
- Deferred outflows of resources decreased $0.2 million, or 6.5%.
- Total liabilities increased by $119.3 million, or 5.7%.
- Net position was $526.5 million. This is a decrease of $17.0 million, or 3.1%, from fiscal year 2012.
- Cash and cash equivalents increased by $150.7 million, or 59.4%.
- Total investments increased by $56.9 million, or 25.0%.
- Bonds payable increased by $116.5 million, or 5.8%.
- THDA originated $212.2 million in new loans, which is a decrease of $23.6 million, or 10.0%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position. The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2014	2013	2012
Current assets	$ 400,662	$ 495,605	$ 314,268
Capital assets	626	194	113
Other noncurrent assets	2,163,308	2,231,487	2,310,506
Total assets	2,564,596	2,727,286	2,624,887
Deferred outflows of resources	1,250	2,287	2,445
Current liabilities	171,907	303,224	207,708
Noncurrent liabilities	1,867,011	1,899,882	1,876,123
Total liabilities	2,038,918	2,203,106	2,083,831
Invested in capital assets	626	194	114
Restricted net position	449,905	489,105	503,563
Unrestricted net position	76,397	37,168	39,824
Total net position	$ 526,928	$ 526,467	$ 543,501

2014 to 2013

- THDA's total net position increased by $0.5 million, or 0.1%, from $526.5 million at June 30, 2013 to $526.9 million at June 30, 2014. While various factors accounted for this change, the most significant factors include an increase in investment income, an increase in the net increase/decrease in the fair value of investments, and a decrease in bonds payable.

- Mortgage loans receivable decreased by $21.0 million or 1.1% from $1,987.3 million on June 30, 2013 to $1,966.3 million on June 30, 2014. During FY 2014, single-family mortgage loan originations increased by $15.1 million or 7.1% from $212.2 million at June 30, 2013 to $227.3 million at June 30, 2014. Mortgage loan prepayments and repayments decreased by $22.1 million or 8.3% from $267.3 million at June 30, 2013 to $245.3 million at June 30, 2014.

- Total liabilities decreased $164.2 million or 7.5% from $2,203.1 million on June 30, 2013 to $2,038.9 million on June 30, 2014. The decrease is primarily due to a decrease in the amount of bonds issued during fiscal year 2014 as compared to fiscal year 2013, as well as an increase in the redemption of bonds, due to more frequent bond calls, as compared to fiscal year 2013.

2013 to 2012

- THDA's total net position decreased by $17.0 million, or 3.1%, from $543.5 million at June 30, 2012, to $526.5 million at June 30, 2013. While various factors accounted for this change, the most significant factors include a decrease in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, and an increase in bonds payable.

- Mortgage loans receivable decreased by $109.3 million, or 5.2%, from $2,096.6 million on June 30, 2012, to $1,987.3 million on June 30, 2013. During FY 2013, single-family mortgage loan originations decreased by $23.6 million, or 10.0%, from $235.7 million at June 30, 2012, to $212.2 million at June 30, 2013. Conversely, mortgage loan prepayments and repayments increased by $58.3 million, or 28.0% from $209.0 million at June 30, 2012, to $267.3 million on June 30, 2013.

- Total liabilities increased $119.3 million, or 5.7%, from $2,083.8 million at June 30, 2012, to $2,203.1 million at June 30, 2013. The increase is primarily due to an increase in the amount of bonds issued during fiscal year 2013 as compared to fiscal year 2012, as well as a small decrease in the redemption of bonds as compared to fiscal year 2012.

Changes in Net Position. The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2014	2013	2012
Operating revenues			
Mortgage interest income	$ 102,108	$ 109,158	$ 116,015
Investment income	6,346	(4,346)	11,992
Other	19,027	17,865	17,693
Total operating revenues	127,481	122,677	145,700
Operating expenses			
Interest expense	70,390	78,643	86,020
Other	42,941	41,982	41,298
Total operating expenses	113,331	120,625	127,318
Operating income	14,150	2,052	18,382
Nonoperating revenues (expenses)			
Grant revenues	295,814	237,638	260,371
Payment from primary government	-	-	34,500
Grant expenses	(309,503)	(256,724)	(274,977)
Total nonoperating revenues (expenses)	(13,689)	(19,086)	19,894
Change in net position	$ 461	$ (17,034)	$ 38,276

2014 to 2013

Total operating revenues increased $4.8 million, or 3.9%, from $122.7 million for the year ended June 30, 2013, to $127.5 million for the year ended June 30, 2014. The primary reasons for this increase are as follows:

- Investment income increased $10.7 million or 247.0% from a net loss of $4.3 million in 2013 to $6.3 million in 2014, due to the net increase in the fair value of investments by $10.7 million.

- Mortgage interest income decreased $7.1 million, or 6.4%, from $109.2 million in 2013 to $102.1 million in 2014. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $7.3 million, or 6.0%, from $120.6 million in fiscal year 2013 to $113.3 million in fiscal year 2014. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

2013 to 2012

Total operating revenues decreased $23.0 million, or 15.8%, from $145.7 million for the year ended June 30, 2012, to $122.7 million for the year ended June 30, 2013. The primary reasons for this decrease are as follows:

- Investment income decreased $16.3 million, or 136.2%, from $12.0 million in 2012 to a net loss of $4.3 million in 2013. While interest income from investments decreased marginally, THDA experienced a net decrease in the fair value of investments of $15.2 million in fiscal year 2013, as compared to a net increase in the fair value of investments of $0.3 million in fiscal year 2012.

- Mortgage interest income decreased $6.9 million, or 5.9%, from $116.0 million in 2012 to $109.1 million in 2013. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in fiscal year 2012 to $120.6 million in fiscal year 2013. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

For the year ended June 30, 2013, total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in 2012 to $120.6 million in 2013. The decrease is not significant.

DEBT ACTIVITY

Bonds outstanding at June 30 were as follows (expressed in thousands):

	2014	2013	2012
Bonds payable	$ 1,984,298	$ 2,136,806	$ 2,020,302

Year Ended June 30, 2014

Total bonds and notes payable decreased $152.5 million, or 7.1%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $277.8 million, with activity arising from two bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $61.8 million of outstanding bonds into new bond originations with lower interest rates.

Year Ended June 30, 2013

Total bonds and notes payable increased $116.5 million, or 5.8%, due primarily to an increase in the amount of bonds issued as well as a decrease in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $456.7 million, with activity arising from three bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $66.5 million of outstanding bonds into new bond originations with lower interest rates.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP. Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted:

Date	Amount	New Bond Issue
June 17, 2010	$ 56,860,000	Bond Issue 2010-A1
	17,850,000	Bond Issue 2010-A2
	85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	40,000,000	Bond Issue 2010-B
	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	40,000,000	Bond Issue 2011-A
	60,000,000	Bond Issue 2009-B, Subseries B-3
August 25, 2011	40,000,000	Bond Issue 2011-B
	60,000,000	Bond Issue 2009-B, Subseries B-4
November 03, 2011	65,290,000	Bond Issue 2011-C
	34,710,000	Bond Issue 2009-B, Subseries B-5

As of June 30, 2012, all of the bonds issued under issue 2009-B1 had been released, re-designated, and converted into fixed-rate, tax-exempt bonds.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2, and Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc. has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1, and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

There were no revisions to THDA's bond ratings during FY 2014 or FY 2013.

Debt Limits

In accordance with *Tennessee Code Annotated,* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2014	FY 2013	FY 2012	FY 2011 and Prior	Total
Funding Sources:					
THDA	$ 9,300,000	$ 6,500,000	$ 6,500,000	$ 30,000,000	$ 52,300,000
State Appropriation	-	-	-	4,350,000	4,350,000
Totals	**$ 9,300,000**	**$ 6,500,000**	**$ 6,500,000**	**$ 34,350,000**	**$ 56,650,000**
Approved Uses:					
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 700,000	$ 3,500,000	$ 5,600,000
Ramp Program (UCP)	-	-	-	50,000	50,000
Ramp Program	-	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	150,000	300,000	750,000
Homebuyer Education Initiative	-	-	-	300,000	300,000
Emergency Repairs for Elderly	-	-	2,000,000	10,000,000	12,000,000
Emergency Repairs	2,000,000	-	-	-	2,000,000
Competitive Grants	3,850,000	5,150,000	3,150,000	19,800,000	31,950,000
Pilot Program Manufactured Hsg	-	500,000	500,000	-	1,000,000
Dunlap New Hope	300,000	-	-	-	300,000
Rebuild & Recover	2,300,000	-	-	-	2,300,000
Totals	**$ 9,300,000**	**$ 6,500,000**	**$ 6,500,000**	**$ 34,350,000**	**$ 56,650,000**

In addition to the above funding, local grants could produce an additional $4 million or more in funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

In October of 2013, THDA made a significant change to its mortgage lending program. On October 1, 2013, the *Great Choice* and the *Great Choice Plus* loan programs were introduced and the *Great Rate*, *Great Advantage* and *Great Start* loan programs were eliminated. The *Great Choice* loan program offers THDA the opportunity to offer a more competitive interest rate on its 30 year fixed rate mortgage product while still offering down payment assistance with the addition of the *Great Choice Plus* loan program which is a second mortgage at a 0% interest rate for a term of 10 years.

A special interest rate reduction on *Great Choice* loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. This special offer, referred to as "*Homeownership for the Brave*", provides a 0.5% rate reduction on the current interest rate for *Great Choice* loans. In addition to the rate reduction, "*Homeownership for the Brave*" applicants are eligible for optional down payment and closing cost assistance through the *Great Choice Plus* second mortgage loan at a 0% interest rate.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/index.aspx?NID=8.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2014, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	24,696	476	36,569,088	1.93%
90+ Days Past Due	24,696	1,284	102,510,630	5.20%
In Foreclosure	24,696	485	37,182,049	1.97%

As of June 30, 2013, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,265	554	40,491,422	2.19%
90+ Days Past Due	25,265	1,181	89,505,286	4.67%
In Foreclosure	25,265	550	45,013,301	2.18%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five-year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 265,058	$ 382,434
Investments (Note 2)	17,006	15,310
Receivables:		
Accounts	32,941	18,155
Interest	13,896	13,435
First mortgage loans	52,087	51,350
Due from federal government	19,668	14,921
Prepaid expenses	6	-
Total current assets	400,662	495,605
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	8,345	21,897
Investments (Note 2)	189,307	200,346
Investment interest receivable	1,689	1,753
Investments (Note 2)	46,692	68,533
First mortgage loans receivable	1,914,213	1,935,924
Advance to local government	3,062	3,034
Capital assets:		
Furniture and equipment	1,437	697
Less accumulated depreciation	(811)	(503)
Total noncurrent assets	2,163,934	2,231,681
Total assets	2,564,596	2,727,286
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	1,250	2,287
Total deferred outflows of resources	1,250	2,287
LIABILITIES		
Current liabilities:		
Accounts payable	5,755	1,642
Accrued payroll and related liabilities	612	535
Compensated absences	587	600
Due to primary government	72	71
Interest payable	36,502	40,279
Escrow deposits	82	172
Prepayments on mortgage loans	1,293	986
Due to federal government	4,314	17,619
Bonds payable (Note 4)	122,690	241,320
Total current liabilities	171,907	303,224
Noncurrent liabilities:		
Bonds payable (Note 4)	1,861,608	1,895,486
Compensated absences	623	630
Net OPEB obligation (Note 9)	1,413	1,303
Escrow deposits	2,138	2,463
Arbitrage rebate payable	1,229	-
Total noncurrent liabilities	1,867,011	1,899,882
Total liabilities	2,038,918	2,203,106
NET POSITION		
Net investment in capital assets	626	194
Restricted for single family bond programs (Note 5 and Note 7)	434,000	472,570
Restricted for grant programs (Note 5)	12,752	13,382
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,153
Unrestricted (Note 7)	76,397	37,168
Total net position	$ 526,928	$ 526,467

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
OPERATING REVENUES		
Mortgage interest income	$ 102,108	$ 109,158
Investment income:		
Interest	10,682	10,881
Net (decrease) in the fair value of investments	(4,336)	(15,227)
Federal grant administration fees	16,556	15,586
Fees and other income	2,471	2,279
Total operating revenues	127,481	122,677
OPERATING EXPENSES		
Salaries and benefits	16,578	16,083
Contractual services	5,973	3,930
Materials and supplies	1,250	493
Rentals and insurance	94	115
Other administrative expenses	527	445
Other program expenses	8,878	9,926
Interest expense	70,390	78,643
Mortgage service fees	7,165	7,291
Issuance costs	2,167	3,639
Depreciation	309	60
Total operating expenses	113,331	120,625
Operating income	14,150	2,052
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	295,814	237,638
Federal grants expenses	(292,523)	(237,352)
Local grants expenses	(16,980)	(19,372)
Total nonoperating revenues (expenses)	(13,689)	(19,086)
Change in net position	461	(17,034)
Total net position, July 1	526,467	543,501
Total net position, June 30	$ 526,928	$ 526,467

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
Cash flows from operating activities:		
Receipts from customers	$ 334,953	$ 429,234
Receipts from federal government	16,592	15,344
Other miscellaneous receipts	2,471	2,279
Acquisition of mortgage loans	(227,296)	(212,166)
Payments to service mortgages	(7,165)	(7,291)
Payments to suppliers	(11,935)	(14,366)
Payments to employees	(16,720)	(16,123)
Net cash provided by operating activities	90,900	196,911
Cash flows from non-capital financing activities:		
Operating grants received	277,657	241,162
Proceeds from sale of bonds	277,828	456,741
Operating grants paid	(308,612)	(256,797)
Cost of issuance paid	(2,167)	(3,639)
Principal payments	(425,215)	(336,030)
Interest paid	(78,251)	(86,039)
Net cash provided (used) by non-capital financing activities	(258,760)	15,398
Cash flows from capital and related financing activities:		
Purchases of capital assets	(740)	(141)
Net cash used by capital and related financing activities	(740)	(141)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	99,486	287,825
Purchases of investments	(72,649)	(359,985)
Investment interest received	10,825	10,694
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	10	14
Net cash provided (used) by investing activities	37,672	(61,452)
Net increase (decrease) in cash and cash equivalents	(130,928)	150,716
Cash and cash equivalents, July 1	404,331	253,615
Cash and cash equivalents, June 30	$ 273,403	$ 404,331

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 14,150	$ 2,052
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	309	60
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(14,786)	834
(Increase) in mortgage interest receivable	(538)	(709)
Decrease in first mortgage loans receivable	20,946	109,306
(Increase) decrease in due from federal government	33	(242)
Increase (Decrease) in accounts payable	3,107	(1,258)
Increase in accrued payroll / compensated absences	167	240
Increase in due to primary government	72	-
Increase in arbitrage rebate liability	1,229	-
Investment income (loss) included as operating revenue	(6,346)	4,346
Interest expense included as operating expense	70,390	78,643
Issuance cost included as operating expense	2,167	3,639
Total adjustments	76,750	194,859
Net cash provided by operating activities	$ 90,900	$ 196,911
Noncash investing, capital, and financing activities:		
(Decrease) in fair value of investments	$ (4,336)	$ (14,037)
Total noncash investing, capital, and financing activities	$ (4,336)	$ (14,037)

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 et seq. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state, and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. *Tennessee Code Annotated* Section 13-23-101 et seq. was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the Bond Reserve Funds.

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

f. Deferred Amount on Refundings and Bond Premiums and Discounts

1. Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

2. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S., public housing bonds secured by contracts with the U.S., direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Corporation, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less collected principal.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk   Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2014, the bank balance was $4,872,373. At June 30, 2013, the bank balance was $18,982,252. All bank balances at June 30, 2014, and June 30, 2013, were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury requires the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2014, $4,545,816 was in the BNYM. Of this amount, $4,295,816 exceeded the FDIC insurance coverage. Of the bank balance at June 30, 2013, $18,490,778 was in the BNYM. Of this amount, $18,240,778 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State

Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.treasury.tn.gov.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the par value of total investments must mature within five years. No more than 50% of the par value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2014		June 30, 2013	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$156,546,020	2.713	$183,618,170	2.660
U.S. Treasury Coupon	81,458,618	3.010	85,574,572	3.899
U.S. Agency Discount	185,126,090	0.033	151,647,000	0.051
Total	$423,130,728	1.598	$420,839,742	1.972

The portfolios include the following investments, stated at par or face value, which have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net position.

Variable Rate Bonds

The agency purchased $2,350,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.75 of par on June 11, 2012, and mature on June 11, 2027. The fair value of these securities on June 30, 2014, is $2,221,859, and on June 30, 2013, was $2,186,370, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020; to 4.0% on June 11, 2022; to 6.0% on June 11, 2023; to 7.0% on June 11, 2024; to 8.0% on December 11, 2024; to 10.0% on June 11, 2025; to 12.0% on December 11, 2025; to 14.0% on June 11, 2026; and to 16.0% on December 11, 2026.

The agency purchased $3,210,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on June 28, 2012, and mature on June 27, 2027. The fair value of these securities on June 30, 2014 is $3,110,387, and on June 30, 2013 was $2,990,898, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 28, 2015; to 3.0% on June 28, 2018; to 4.0% on June 28, 2021; to 5.0% on June 28, 2023; and to 6.5% on June 28, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.12 of par on November 15, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2014 is $2,836,416, and on June 30, 2013, was $2,791,110, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016; to 3.0% on June 11, 2020; to 4.0% on June 11, 2022; to 6.0% on June 11, 2023; to 7.0% on June 11, 2024; to 8.0% on December 11, 2024; to 10.0% on June 11, 2025; to

12.0% on December 11, 2025; to 14.0% on June 11, 2026; and to 16.0% on December 11, 2026.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.80 of par on November 8, 2012 and mature on November 8, 2027. The fair value of these securities on June 30, 2014 is $3,712,532, and on June 30, 2013, was $3,678,796, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on November 8, 2017, and to 4.0% on November 8, 2022. This investment is callable quarterly beginning February 8, 2013, and ending November 8, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.45 of par on November 23, 2012, and mature on November 23, 2027. The fair value of these securities on June 30, 2014 is $2,562,837, and on June 30, 2013, was $2,746,311, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.125% on November 23, 2017; to 2.25% on November 23, 2020; to 2.5% on November 23, 2023; to 3.0% on November 23, 2024; to 4.0% on May 23, 2025; to 6.0% on November 23, 2025; to 8.0% on May 23, 2026; to 11.0% on November 23, 2026; and to 14% on May 23, 2027. This investment is callable quarterly beginning May 23, 2013, and ending November 23, 2015.

The agency purchased $2,400,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.65 of par on December 21, 2012 and mature on December 21, 2027. The fair value of these securities on June 30, 2014 is $2,157,096, and on June 30, 2013, was $2,231,131, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on December 21, 2017; to 2.5% on December 21, 2020; to 3.0% on December 21, 2022; to 4.0% on December 21, 2023; to 5.0% on December 21, 2024; to 6.0% on December 21, 2025; to 8.0% on June 21, 2026; to 10.0% on December 21, 2026; and to 12.0% on June 21, 2027. This investment is callable quarterly beginning June 21, 2013, and ending December 21, 2018.

The agency purchased $2,750,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.90 of par on January 30, 2013 and mature on January 30, 2025. The fair value of these securities on June 30, 2014 is $2,646,001, and on June 30, 2013, was $2,612,555, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on January 30, 2018; to 2.5% on January 30, 2021; to 3.0% on January 30, 2022; to 5.0% on January 30, 2023; to 7.0% on July 30, 2023; and to 9.0% on January 30, 2024. This investment is callable quarterly beginning July 30, 2013, and ending October 30, 2016.

The agency purchased $650,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 101.55 of par on September 6, 2012. Although these securities were scheduled to mature on August 26, 2025, these bonds were called on August 26, 2013. The fair value of these securities on June 30, 2013, was $651,348, which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.18 of par on November 7, 2012, and mature on June 28, 2027. The fair value of these securities on June 30, 2014 is $1,482,593, and on June 30, 2013, was $1,426,929, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on June 28, 2017; to 5.0% on June 28, 2024; and to 6.5% on June 28, 2026. This investment is callable quarterly beginning December 28, 2012, and ending December 28, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on August 27, 2012, and mature on August 27, 2027. The fair value of these securities on June 30, 2014 is $1,909,610, and on June 30, 2013, was $1,919,370, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 1.5% with a step-up option to 2.5% on August 27, 2015; to 3.5% on August 27, 2018; to 4.5% on August 27, 2021; and to 5.5% on August 27, 2024. This investment is callable quarterly beginning August 27, 2012, and ending November 27, 2015.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012, and mature on December 27, 2027. The fair value of these securities on June 30, 2014 is $4,759,185, and on June 30, 2013, was $4,694,220, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.0% on June 27, 2013, and to 3.15% on December 27, 2013. This investment is callable quarterly beginning June 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012, and mature on December 27, 2017. The fair value of these securities on June 30, 2014 is $2,995,674, and on June 30, 2013, was $2,945,187, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 0.6% with a step-up option to 0.7% on December 27, 2014; to 1.0% on December 27, 2015; to 1.5% on December 27, 2016; and to 3.0% on June 27, 2017. This investment is callable quarterly beginning December 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 28, 2012, and mature on December 28, 2027. The fair value of these securities on June 30, 2014 is $2,788,104, and on June 30, 2013, was $2,813,145, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on December 28, 2017; to 4.0% on December 28, 2020; to 5.0% on December 28, 2024; and to 6.0% on December 28, 2025. This investment is callable quarterly beginning June 28, 2013, and ending December 28, 2017.

Credit Risk Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1. h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2014, and June 30, 2013, are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2014						
			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AA+**	**A-1**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$156,546,020		$140,991,257		$4,867,772	$10,686,991
U.S. Treasury Coupon	81,458,618	$81,458,618				
U.S. Agency Discount	185,126,090			$160,126,740		24,999,350
Total	$423,130,728	$81,458,618	$140,991,257	$160,126,740	$4,867,772	$35,686,341

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

June 30, 2013						
			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury**[1]	**AA+**	**A-1**	**AA-2**	**Not Rated**[2]
U.S. Agency Coupon	$183,618,170		$167,220,366		$5,114,633	$11,283,171
U.S. Treasury Coupon	85,574,572	$85,574,572				
U.S. Agency Discount	151,647,000			$131,647,320		19,999,680
Total	$420,839,742	$85,574,572	$167,220,366	$131,647,320	$5,114,633	$31,282,851

Concentration of Credit Risk   Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than 5% of the agency's investments are invested in the following single issuers:

	June 30, 2014		June 30, 2013	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$222,526,613	52.59	$173,049,950	41.12
Federal Home Loan Mortgage Corp	$0	N/A	$42,892,295	10.19
Federal National Mortgage Assoc.	$81,963,986	19.37	$95,869,861	22.78

NOTE 3. ACCOUNTING CHANGE

During the year ended June 30, 2013, the agency implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

Implementation of GASB 62 did not have any financial reporting impact to the agency. Implementation of GASB 63 required the reclassification of net assets to net position, and it

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

also required the deferred amount on refundings to be classified as a deferred outflow of resources. Implementation of GASB 65 recognizes bond cost of issuance as an expense.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$ -0-	$48,965

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
HOMEOWNERSHIP PROGRAM BONDS					
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	-0-	28,185
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	-0-	38,435
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	31,010	39,070
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	35,955	46,605
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	33,675	43,960
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	31,585	44,500
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	29,610	41,175
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	39,555	49,935
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	42,840	53,755
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	53,980	71,385
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	64,930	81,950
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	72,120	90,360
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	26,695	33,675
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	2,660	11,915
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	32,490	47,790
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	-0-	2,975
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	31,935	36,870
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	48,935	59,395
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	73,055	87,655
2011-1	7/1/2012-7/1/2042	141,255	0.60 to 4.65	108,415	125,005
2012-1	1/1/2013-7/1/2042	133,110	0.80 to 4.50	115,380	127,265
2012-2	7/1/2013-7/1/2043	97,625	0.50 to 4.00	90,490	96,960
Total Homeownership Program Bonds		$2,147,690		$965,315	$1,258,820
Plus: Unamortized Bond Premiums				10,214	14,419
Less: Unamortized Bond Discount				(169)	(218)
Net Homeownership Program Bonds				$975,360	$1,273,021

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.90 to 4.625	$72,555	$83,295
2010-A	1/1/2011-7/1/2041	160,000	0.60 to 5.00	114,125	133,945
2010-B	7/1/2011–7/1/2041	100,000	0.45 to 4.50	82,385	91,245
2011-A	7/1/2011-7/1/2041	100,000	0.45 to 4.50	78,405	90,730
2011-B	7/1/2012-7/1/2041	100,000	0.25 to 4.50	88,890	96,980
2011-C	7/1/2012-7/1/2041	100,000	0.40 to 4.30	90,115	97,020
Total Housing Finance Program Bonds		$660,000		$526,475	$593,215
Plus: Unamortized Bond Premiums				1,357	1,829
Net Housing Finance Program Bonds				$527,832	$595,044

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
RESIDENTIAL FINANCE PROGRAM BONDS					
2013-1	1/1/2014-7/1/2043	$215,905	0.40 to 4.00	$199,900	$215,905
2013-2	7/1/2014-7/1/2043	121,300	0.45 to 4.65	121,300	-0-
2014-1	1/1/2015-7/1/2039	150,000	0.32 to 4.00	150,000	-0-
Total Residential Finance Program Bonds		$487,205		$471,200	$215,905
Plus: Unamortized Bond Premiums				9,906	3,871
Net Residential Finance Program Bonds				$481,106	$219,776
Net Total All Issues				$1,984,298	$2,136,806

Housing Finance Program Bonds The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of $34,710,000. The $34,710,000 was blended with the market rate 2011-C bonds in the amount of $65,290,000 for a total of $100,000,000.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2014, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2015	$139,455	$72,622	$212,077
2016	56,210	70,196	126,406
2017	57,190	68,863	126,053
2018	56,315	67,338	123,653
2019	54,550	65,707	120,257
2020 – 2024	249,355	302,779	552,134
2025 – 2029	278,485	249,077	527,562
2030 – 2034	256,105	194,321	450,426
2035 – 2039	343,460	142,690	486,150
2040 – 2044	471,865	45,677	517,542
Total	$1,962,990	$1,279,270	$3,242,260

c. Redemption of Bonds and Notes

During the year ended June 30, 2014, bonds were retired at par before maturity in the Homeownership Program in the amount of $217,425,000, in the Housing Finance Program in the amount of $60,775,000, and in the Residential Finance Program in the amount of $15,555,000. The respective carrying values of the bonds were $221,007,463, $61,136,292 and $15,821,689. This resulted in revenue to the Homeownership Program of $3,582,463, to the Housing Finance Program of $361,292, and to the Residential Finance Program of $266,689.

On May 30, 2013, the agency issued $215,905,000 in Residential Finance Program Bonds, Issue 2013-1. On July 1, 2013, the agency used $75,905,000 of these bonds to refund bonds previously issued in the Mortgage Finance Program (this amount consists of $47,985,000 early redemption) and Homeownership Program (this amount consists of $27,920,000 early redemption). The carrying amount of these bonds was $75,905,000. The refunding reduced the agency's debt service by $8,688,786 over the next 18 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $9,063,606.

On November 19, 2013, the agency issued $121,300,000 in Residential Finance Program Bonds, Issue 2013-2. On January 1, 2014, the agency used $31,300,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $31,300,000 early redemption). The carrying amount of these bonds was $31,300,000. The refunding increased the agency's debt service by $1,548,956 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,485,956.

During the year ended June 30, 2013, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,235,000, in the Homeownership Program in the amount of $199,355,000, and in the Housing Finance Program in the amount of $31,315,000. The respective carrying values of the bonds were $10,235,000, $202,501,590, and $31,515,181. This resulted in revenue to the Homeownership Program of $3,146,590 and to the Housing Finance Program of $200,181.

On July 19, 2012, the agency issued $133,110,000 in Homeownership Program Bonds, Issue 2012-1. On September 1, 2012, the agency used $43,865,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $43,865,000 early redemption). The carrying amount of these bonds was $43,865,000. The refunding reduced the agency's debt service by $10,700,210 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $6,206,292.

On November 15, 2012, the agency issued $97,625,000 in Homeownership Program Bonds, Issue 2012-2. On January 1, 2013, the agency used $22,625,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $22,625,000 early redemption). The carrying amount of these bonds was $22,625,000. The refunding reduced the agency's debt service by $8,510,283 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $3,758,068.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2014.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Bonds Payable	$2,116,905	$271,300	($425,215)	$1,962,990	$122,690
Plus: Unamortized Bond Premiums	20,119	6,528	(5,170)	21,477	-0-
Less: Unamortized Bond Discounts	(218)	-0-	49	(169)	-0-
Compensated Absences	1,230	-0-	(20)	1,210	587
Escrow Deposits	2,635	558	(973)	2,220	82
Arbitrage Rebate Payable	-0-	1,229	(-0-)	1,229	-0-
Total	$2,140,671	$279,615	($431,329)	$1,988,957	$123,359

The following table is a summary of the long-term liability activity for the year ended June 30, 2013.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Bonds Payable	$2,006,295	$446,640	($336,030)	$2,116,905	$241,320
Plus: Unamortized Bond Premiums	14,280	10,101	(4,262)	20,119	-0-
Less: Unamortized Bond Discounts	(273)	-0-	55	(218)	-0-
Compensated Absences	1,156	74	(-0-)	1,230	600
Escrow Deposits	3,731	1,610	(2,706)	2,635	172
Total	$2,025,189	$458,425	($342,943)	$2,140,671	$242,092

NOTE 5. RESTRICTED NET POSITION

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the Tennessee State and Political Subdivision Employees Pension Plan (TSPSEPP), an agent, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits, as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for TSPSEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 15.03% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012, were $1,739,493, $1,692,847, and $1,632,095. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's board of directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single-family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

NOTE 8. INSURANCE-RELATED ACTIVITIES

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2013, is presented in the *Tennessee Comprehensive Annual Financial Report*. The

CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only other postemployment benefit (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans - the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* Section 8-27-101. Prior to reaching the age of 65, members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation - The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency (see Note 10). The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy - The premium requirements of plan members of the State Employment Group Plan are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan, adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retires 65 years of age or older are provided flat-rate premium subsidies, based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 but less than 30 years of service, $37.50; and retirees with 15 but less than 20 years of service, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2014	June 30, 2013
Annual Required Contribution (ARC)	$345	$362
Interest on the Net OPEB Obligation	52	46
Adjustment to the ARC	(51)	(49)
Annual OPEB cost	346	359
Amount of contribution	(236)	(213)
Increase in Net OPEB Obligation	110	146
Net OPEB Obligation-beginning of year	1,303	1,157
Net OPEB Obligation-end of year	$1,413	$1,303

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2014	State Employee Group Plan	$ 346	68%	$ 1,413
6/30/2013	State Employee Group Plan	$ 359	60%	$ 1,303
6/30/2012	State Employee Group Plan	$ 390	58%	$ 1,157

Funded Status and Funding Progress The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2013, was as follows (thousands):

Actuarial valuation date	7/01/2013
Actuarial accrued liability (AAL)	$ 2,964
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 2,964
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,841
UAAL as a percentage of covered payroll	30%

Actuarial valuations involve estimates of the value of reported amounts and probability assumptions far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially. The rate decreases to 7% in fiscal year 2015, and then reduces by decrements to an ultimate rate of 4.7% in fiscal year 2044. All rates include a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2014, the State of Tennessee made payments of $4,942 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2013, made payments of $4,715. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. NATIONAL MORTGAGE SETTLEMENT FUNDS

The State of Tennessee received $41,207,810 from the United States Attorney General for the National Mortgage Settlement. In June 2012, the agency received $34,500,000 of the $41,207,810. The agency plans to use those funds to expand the Keep My Tennessee Home financial assistance program to include long-term medical hardships and to provide foreclosure counseling.

NOTE 13. FINAL REDEMPTION / TRANSFER OF ASSETS

a. Final Redemption under Mortgage Finance Program Bonds

During the fiscal year ended June 30, 2014, the agency redeemed all remaining bonds that were issued under the Mortgage Finance Program.

b. Transfer of Assets to General Residential Finance Program Bonds

During the fiscal year ended June 30, 2014, the agency transferred certain assets from the Mortgage Finance Program to the General Residential Program for the purpose of improving the Program Assets to Debt Ratios in the General Residential Finance Program.

NOTE 14. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2014	Homeownership Program		$56,290,000
	Housing Finance Program		9,715,000
	Residential Finance Program		5,415,000
		Total	$71,420,000

b. Residential Finance Program Bonds, Issue 2014-2, were authorized by the Board of directors on July 29, 2014, not to exceed $150,000,000.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

August 1, 2014	Homeownership Program		$13,360,000
	Housing Finance Program		4,610,000
	Residential Finance Program		1,645,000
		Total	$19,615,000

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

September 1, 2014	Homeownership Program		$11,275,000
	Housing Finance Program		4,950,000
	Residential Finance Program		1,685,000
		Total	$17,910,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2014	Homeownership Program		$14,965,000
	Housing Finance Program		6,130,000
	Residential Finance Program		3,175,000
		Total	$24,270,000

f. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

November 1, 2014	Homeownership Program		$12,455,000
	Housing Finance Program		5,015,000
	Residential Finance Program		2,040,000
		Total	$19,510,000

NOTE 15. EVENTS (UNAUDTED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

a. Homeownership Program Bonds, Issue 2014-2, were sold on November 20, 2014. The bond maturities are as follow:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2014-2	7/1/2015-7/1/2045	$150,000	0.250 to 4.000

b. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

December 1, 2014	Homeownership Program		$14,360,000
	Housing Finance Program		5,715,000
	Residential Finance Program		2,705,000
		Total	$22,780,000

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2015	Homeownership Program		$44,900,000
	Housing Finance Program		6,170,000
	Residential Finance Program		5,695,000
			$56,765,000
		Total	

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

February 1, 2015	Homeownership Program		$9,875,000
	Housing Finance Program		4,740,000
	Residential Finance Program		2,465,000
		Total	$17,080,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

March 1, 2015	Homeownership Program		$10,755,000
	Housing Finance Program		5,415,000
	Residential Finance Program		3,755,000
		Total	$19,925,000

f. Homeownership Program Bonds, Issue 2015-1, were authorized by the Board of Directors on March 24, 2015, not to exceed $150,000,000 and sale will occur not later than August 30, 2015.

g. Homeownership Program Bonds, Issue 2015-A, were authorized by the Board of Directors on March 24, 2015, not to exceed 195,000,000 and sale will occur not later than December 31, 2015.

h. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

April 1, 2015	Homeownership Program		$9,010,000
	Housing Finance Program		3,185,000
	Residential Finance Program		2,475,000
		Total	$14,670,000

i. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

May 1, 2015	Homeownership Program		$11,535,0000
	Housing Finance Program		3,725,000
	Residential Finance Program		3,595,000
		Total	$18,855,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%
7/1/2011	State Employee Group Plan	$ -0-	$ 2,919	$ 2,919	0%	$ 9,818	30%
7/1/2013	State Employee Group Plan	$ -0-	$ 2,964	$ 2,964	0%	$ 9,841	30%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 13,030	$ 10,582	$ 105,031	$ 35,259	$ 101,156	$ 265,058
Investments	-	682	9,175	4,478	2,671	17,006
Receivables:						
Accounts	3	391	21,334	8,364	2,849	32,941
Interest	29	254	7,746	3,850	2,017	13,896
First mortgage loans	5	145	29,002	10,636	12,299	52,087
Due from federal government	19,668	-	-	-	-	19,668
Due from other funds	7,122	20	-	-	-	7,142
Prepaid expenses	6	-	-	-	-	6
Total current assets	39,863	12,074	172,288	62,587	120,992	407,804
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	4,469	-	2,734	297	845	8,345
Investments	-	-	154,344	20,304	14,659	189,307
Investment Interest receivable	-	-	1,486	104	99	1,689
Investments	-	2,022	8,058	7,792	28,820	46,692
First mortgage loans receivable	1,184	43,689	948,669	492,034	428,637	1,914,213
Advance to local government	3,062	-	-	-	-	3,062
Capital assets:						
Furniture and equipment	1,437	-	-	-	-	1,437
Less accumulated depreciation	(811)	-	-	-	-	(811)
Total noncurrent assets	9,341	45,711	1,115,291	520,531	473,060	2,163,934
Total assets	49,204	57,785	1,287,579	583,118	594,052	2,571,738
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	-	337	-	913	1,250
Total deferred outflows of resources	-	-	337	-	913	1,250
LIABILITIES						
Current liabilities:						
Accounts payable	5,405	4	44	24	278	5,755
Accrued payroll and related liabilities	612	-	-	-	-	612
Compensated absences	587	-	-	-	-	587
Due to primary government	72	-	-	-	-	72
Interest payable	-	-	20,918	9,336	6,248	36,502
Escrow deposits	-	82	-	-	-	82
Prepayments on mortgage loans	-	5	684	300	304	1,293
Due to federal government	4,314	-			-	4,314
Due to other funds	-	-	7,142	-	-	7,142
Bonds payable	-	-	87,865	22,860	11,965	122,690
Total current liabilities	10,990	91	116,653	32,520	18,795	179,049
Noncurrent liabilities:						
Bonds payable	-	-	887,495	504,972	469,141	1,861,608
Compensated absences	623	-	-	-	-	623
Net OPEB obligation	1,413	-	-	-	-	1,413
Escrow deposits	272	544	-	-	1,322	2,138
Arbitrage rebate payable	-	-	1,229	-	-	1,229
Total noncurrent liabilities	2,308	544	888,724	504,972	470,463	1,867,011
Total liabilities	13,298	635	1,005,377	537,492	489,258	2,046,060
NET POSITION						
Net investment in capital assets	626	-	-	-	-	626
Restricted for single family bond programs	-	128	282,539	45,626	105,707	434,000
Restricted for grant programs	-	12,752	-	-	-	12,752
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Unrestricted	32,127	44,270	-	-	-	76,397
Total net position	$ 35,906	$ 57,150	$ 282,539	$ 45,626	$ 105,707	$ 526,928

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	$ 65	$ 1,565	$ 60,536	$ 26,424	$ 13,518	$ 102,108
Investment income:						
Interest	34	1,283	8,287	743	335	10,682
Net increase (decrease) in the fair value of investments	-	(618)	(3,718)	146	(146)	(4,336)
Federal grant administration fees	16,556	-	-	-	-	16,556
Fees and other income	2,322	149	-	-	-	2,471
Total operating revenues	18,977	2,379	65,105	27,313	13,707	127,481
OPERATING EXPENSES						
Salaries and benefits	16,578	-	-	-	-	16,578
Contractual services	5,973	-	-	-	-	5,973
Materials and supplies	1,250	-	-	-	-	1,250
Rentals and insurance	94	-	-	-	-	94
Other administrative expenses	527	-	-	-	-	527
Other program expenses	3,993	719	3,433	494	239	8,878
Interest expense	-	814	41,649	18,840	9,087	70,390
Mortgage service fees	-	184	4,109	1,892	980	7,165
Issuance costs	-	-	-	-	2,167	2,167
Depreciation	309	-	-	-	-	309
Total operating expenses	28,724	1,717	49,191	21,226	12,473	113,331
Operating income (loss)	(9,747)	662	15,914	6,087	1,234	14,150
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	295,814	-	-	-	-	295,814
Federal grants expenses	(292,523)	-	-	-	-	(292,523)
Local grants expenses	(12,855)	-	(4,125)	-	-	(16,980)
Total nonoperating revenues (expenses)	(9,564)	-	(4,125)	-	-	(13,689)
Income (loss) before transfers	(19,311)	662	11,789	6,087	1,234	461
Transfers (to) other funds	-	(129,308)	(51,950)	(6,196)	-	(187,454)
Transfers from other funds	14,702	-	-	-	172,752	187,454
Change in net position	(4,609)	(128,646)	(40,161)	(109)	173,986	461
Total net position, July 1	40,515	185,796	322,700	45,735	(68,279)	526,467
Total net position, June 30	$ 35,906	$ 57,150	$ 282,539	$ 45,626	$ 105,707	$ 526,928

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	$ 194	$ 7,413	$ 222,358	$ 75,814	$ 29,174	$ 334,953
Receipts from federal government	16,589	-	3	-	-	16,592
Receipts from other funds	2,213	10	-	-	-	2,223
Other miscellaneous receipts	2,322	149	-	-	-	2,471
Acquisition of mortgage loans	-	(5,866)	(1,614)	(1,139)	(218,677)	(227,296)
Payments to service mortgages	-	(184)	(4,109)	(1,892)	(980)	(7,165)
Payments to suppliers	(8,499)	(719)	(2,220)	(497)	-	(11,935)
Payments to other funds	-	-	(2,223)	-	-	(2,223)
Payments to employees	(16,720)	-	-	-	-	(16,720)
Net cash provided (used) by operating activities	(3,901)	803	212,195	72,286	(190,483)	90,900
Cash flows from non-capital financing activities:						
Operating grants received	277,657	-	-	-	-	277,657
Transfers in (out)	14,702	(42,143)	47,097	(6,196)	(13,460)	-
Proceeds from sale of bonds	-	-	-	-	277,828	277,828
Operating grants paid	(304,487)	-	(4,125)	-	-	(308,612)
Cost of issuance paid	-	-	-	-	(2,167)	(2,167)
Principal payments	-	(48,965)	(293,505)	(66,740)	(16,005)	(425,215)
Interest paid	-	(1,249)	(52,825)	(20,405)	(3,772)	(78,251)
Net cash provided (used) by non-capital financing activities	(12,128)	(92,357)	(303,358)	(93,341)	242,424	(258,760)
Cash flows from capital and related financing activities:						
Purchases of capital assets	(740)	-	-	-	-	(740)
Net cash used by capital and related financing activities	(740)	-	-	-	-	(740)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	40,403	53,402	13,342	28,185	135,332
Purchases of investments	-	(10,686)	(35,711)	(10,260)	(51,838)	(108,495)
Investment interest received	34	1,278	8,495	796	222	10,825
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	5	-	5	10
Net cash provided (used) by investing activities	34	30,995	26,191	3,878	(23,426)	37,672
Net increase (decrease) in cash and cash equivalents	(16,735)	(60,559)	(64,972)	(17,177)	28,515	(130,928)
Cash and cash equivalents, July 1	34,234	71,141	172,737	52,733	73,486	404,331
Cash and cash equivalents, June 30	$ 17,499	$ 10,582	$ 107,765	$ 35,556	$ 102,001	$ 273,403

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (9,747)	$ 662	$ 15,914	$ 6,087	$ 1,234	$ 14,150
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	309	-	-	-	-	309
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(2)	498	(7,381)	(5,067)	(2,834)	(14,786)
(Increase) decrease in mortgage interest receivable	(15)	572	1,252	(428)	(1,919)	(538)
(Increase) decrease in first mortgage loans receivable	156	685	166,314	53,691	(199,900)	20,946
Decrease in due from federal government	33	-	-	-	-	33
Decrease in interfund receivables	2,213	10	-	-	-	2,223
(Decrease) in interfund payables	-	-	(2,223)	-	-	(2,223)
Increase (decrease) in accounts payable	2,947	(1,773)	10	52	1,871	3,107
Increase in accrued payroll / compensated absences	167	-	-	-	-	167
Increase in due to primary government	72	-	-	-	-	72
Increase in arbitrage rebate liability	-	-	1,229	-	-	1,229
Investment income included as operating revenue	(34)	(665)	(4,569)	(889)	(189)	(6,346)
Interest expense included as operating expense	-	814	41,649	18,840	9,087	70,390
Issuance cost included as operating expense	-	-	-	-	2,167	2,167
Total adjustments	5,846	141	196,281	66,199	(191,717)	76,750
Net cash provided (used) by operating activities	$ (3,901)	$ 803	$ 212,195	$ 72,286	$ (190,483)	$ 90,900
Noncash investing, capital, and financing activities:						
Increase (decrease) in fair value of investments	$ -	$ (618)	$ (3,718)	$ 146	$ (146)	$ (4,336)
Total noncash investing, capital, and financing activities	$ -	$ (618)	$ (3,718)	$ 146	$ (146)	$ (4,336)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION - MORTGAGE FINANCE PROGRAM
JUNE 30, 2014
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ (2)	$ 10,446	$ 10,444	$ 138	$ 10,582
Investments	-	627	627	55	682
Receivables:					
Accounts	-	386	386	5	391
Interest	33	220	253	1	254
First mortgage loans	-	145	145	-	145
Due from other funds	-	20	20	-	20
Total current assets	31	11,844	11,875	199	12,074
Noncurrent assets:					
Restricted assets:					
Investments	-	1,567	1,567	455	2,022
First mortgage loans receivable	-	43,689	43,689	-	43,689
Total noncurrent assets	-	45,256	45,256	455	45,711
Total assets	31	57,100	57,131	654	57,785
LIABILITIES					
Current liabilities:					
Accounts payable	2	2	4	-	4
Escrow deposits	-	-	-	82	82
Prepayments on mortgage loans	3	2	5	-	5
Total current liabilities	5	4	9	82	91
Noncurrent liabilities:					
Escrow deposits	-	99	99	445	544
Total noncurrent liabilities	-	99	99	445	544
Total liabilities	5	103	108	527	635
NET POSITION					
Restricted for single family bond programs	-	1	1	127	128
Restricted for grant programs	-	12,752	12,752	-	12,752
Unrestricted	26	44,244	44,270	-	44,270
Total net position	$ 26	$ 56,997	$ 57,023	$ 127	$ 57,150

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

December 31, 2014

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

December 31, 2014
(with comparative totals as of December 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
ASSETS							
Current assets:							
Cash and cash equivalents	$ 2,581	$ 2,697	$ 101,219	$ 37,272	$ 113,061	$ 256,830	$ 207,160
Investments	-	681	-	275	16,043	16,999	90
Receivables:							
Accounts	3	474	19,942	9,288	2,684	32,391	32,251
Interest	5	38	7,154	3,613	2,941	13,751	14,053
First mortgage loans	6	158	26,979	10,305	15,566	53,014	51,866
Due from federal government	20,206	-	-	-	-	20,206	14,624
Due from other funds	2,026	-	-	-	39	2,065	2,065
Prepaid Expenses	10	-	-	-	-	10	-
Total current assets	24,837	4,048	155,294	60,753	150,334	395,266	322,109
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	23,096	-	1,711	2,511	511	27,829	10,546
Investments	-	-	147,381	18,400	19,587	185,368	189,394
Investment interest receivable	-	-	1,468	103	66	1,637	1,751
Investments	-	2,021	199	2,442	37,180	41,842	50,643
First mortgage loans receivable	881	46,751	845,268	458,046	548,562	1,899,508	1,942,091
Advance to local government	3,073	-	-	-	-	3,073	3,046
Capital assets:							
Furniture and equipment	1,437	-	-	-	-	1,437	697
Less accumulated depreciation	(812)	-	-	-	-	(812)	(503)
Total noncurrent assets	27,675	48,772	996,027	481,502	605,906	2,159,882	2,197,665
Total assets	52,512	52,820	1,151,321	542,255	756,240	2,555,148	2,519,774
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amount on refundings	-	-	265	-	851	1,116	1,362
Total deferred outflows of resources	-	-	265	-	851	1,116	1,362
LIABILITIES							
Current liabilities:							
Accounts payable	$ 59	$ 2	$ -	$ -	$ -	$ 61	$ 3
Compensated absences	590	-	-	-	-	590	523
Due to federal government	22,497	-	-	-	-	22,497	6,086
Interest payable	-	-	18,176	8,720	8,522	35,418	36,242
Escrow deposits	-	105	-	-	-	105	45
Prepayments on mortgage loans	-	-	632	285	389	1,306	1,300
Due to other funds	-	-	2,065	-	-	2,065	2,065
Bonds payable	-	-	76,105	19,650	16,230	111,985	78,825
Total current liabilities	23,146	107	96,978	28,655	25,141	174,027	125,089
Noncurrent liabilities:							
Bonds payable	-	-	774,742	471,797	603,513	1,850,052	1,867,219
Compensated absences	540	-	-	-	-	540	561
Net OPEB obligation	1,413	-	-	-	-	1,413	1,303
Escrow deposits	207	500	-	-	1,530	2,237	2,086
Arbitrage rebate payable	-	-	1,229	-	-	1,229	-
Total noncurrent liabilities	2,160	500	775,971	471,797	605,043	1,855,471	1,871,169
Total liabilities	25,306	607	872,949	500,452	630,184	2,029,498	1,996,258
NET POSITION							
Net investment in capital assets	626	-	-	-	-	626	195
Restricted for single family bond programs	-	130	278,637	41,803	126,907	447,477	475,304
Restricted for grant programs	-	16,883	-	-	-	16,883	14,362
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153	3,154
Unrestricted	23,427	35,200	-	-	-	58,627	31,863
Total net position	$ 27,206	$ 52,213	$ 278,637	$ 41,803	$ 126,907	$ 526,766	$ 524,878

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2014
(with comparative totals for the six months ended December 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
OPERATING REVENUES							
Mortgage interest income	$ 21	$ 55	$ 25,576	$ 12,301	$ 11,612	$ 49,565	$ 51,915
Investment income:							
Interest	12	18	4,002	345	882	5,259	5,383
Net increase (decrease) in the fair value of investments	-	(8)	(1,076)	359	(105)	(830)	(2,966)
Federal grant administration fees	7,414	-	-	-	-	7,414	8,393
Fees and other income	459	18	-	-	37	514	1,129
Total operating revenues	7,906	83	28,502	13,005	12,426	61,922	63,854
OPERATING EXPENSES							
Salaries and benefits	8,032	-	-	-	-	8,032	8,169
Contractual services	3,255	-	1	3	-	3,259	3,159
Materials and supplies	540	-	-	-	-	540	1,221
Rentals and insurance	27	-	-	-	-	27	57
Other administrative expenses	211	-	-	-	-	211	225
Other program expenses	1,709	98	1,368	357	454	3,986	3,347
Interest expense	-	-	17,203	8,702	7,596	33,501	35,506
Mortgage service fees	-	40	1,721	897	932	3,590	3,521
Issuance costs	-	-	-	-	1,108	1,108	888
Total operating expenses	13,774	138	20,293	9,959	10,090	54,254	56,093
Operating income (loss)	(5,868)	(55)	8,209	3,046	2,336	7,668	7,761
NONOPERATING REVENUES (EXPENSES)							
Federal grants revenue	146,631	-	-	-	-	146,631	128,023
Federal grants expenses	(146,803)	(208)	-	-	-	(147,011)	(127,513)
Local grants expenses	(7,450)	-	-	-	-	(7,450)	(9,860)
Total nonoperating revenues (expenses)	(7,622)	(208)	-	-	-	(7,830)	(9,350)
Income (loss) before transfers	(13,490)	(263)	8,209	3,046	2,336	(162)	(1,589)
Transfers (to) other funds	-	(4,674)	(12,110)	(6,869)	-	(23,653)	(106,427)
Transfers from other funds	4,789	-	-	-	18,864	23,653	106,427
Change in net position	(8,701)	(4,937)	(3,901)	(3,823)	21,200	(162)	(1,589)
Total net position, July 1	35,907	57,150	282,538	45,626	105,707	526,928	526,467
Total net position, End of period	$ 27,206	$ 52,213	$ 278,637	$ 41,803	$ 126,907	$ 526,766	$ 524,878

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2014
(with comparative totals for the six months ended December 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
Cash flows from operating activities:							
Receipts from customers	$ 272	$ 1,974	$ 99,189	$ 45,903	$ 31,748	$ 179,086	$ 252,683
Receipts from federal government	7,448	-	-	-	-	7,448	8,335
Receipts from other funds	5,096	20	-	-	-	5,116	7,303
Other miscellaneous receipts	459	18	-	-	37	514	1,129
Acquisition of mortgage loans	-	(5,050)	-	-	(109,897)	(114,947)	(144,272)
Payments to service mortgages	-	(40)	(1,721)	(897)	(932)	(3,590)	(3,521)
Payments to suppliers	(9,442)	(100)	(1,397)	(383)	(732)	(12,054)	(86,963)
Payments to federal government	-	-	(16)	(1)	-	(17)	-
Payments to other funds	-	-	(5,077)	-	(39)	(5,116)	(7,303)
Payments to employees	(8,857)	-	-	-	-	(8,857)	(8,979)
Net cash provided (used) by operating activities	(5,024)	(3,178)	90,978	44,622	(79,815)	47,583	18,412
Cash flows from non-capital financing activities:							
Operating grants received	164,243	-	-	-	-	164,243	116,773
Transfers in (out)	4,789	(4,674)	21,613	(6,869)	(14,859)	-	-
Proceeds from sale of bonds	-	-	-	-	155,941	155,941	124,469
Operating grants paid	(155,842)	(208)	-	-	-	(156,050)	(138,072)
Cost of issuance paid	-	-	-	-	(1,108)	(1,108)	(888)
Principal payments	-	-	(122,705)	(36,135)	(16,665)	(175,505)	(312,140)
Interest paid	-	-	(21,681)	(9,568)	(5,900)	(37,149)	(41,709)
Net cash provided (used) by non-capital financing activities	13,190	(4,882)	(122,773)	(52,572)	117,409	(49,628)	(251,567)
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	-	2,000	59,021	20,445	23,450	104,916	74,279
Purchases of investments	-	(2,006)	(36,102)	(8,630)	(50,223)	(96,961)	(33,185)
Investment interest received	12	181	4,040	361	742	5,336	5,434
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	1	1	8	10	2
Net cash provided (used) by investing activities	12	175	26,960	12,177	(26,023)	13,301	46,530
Net increase (decrease) in cash and cash equivalents	8,178	(7,885)	(4,835)	4,227	11,571	11,256	(186,625)
Cash and cash equivalents, July 1	17,499	10,582	107,765	35,556	102,001	273,403	404,331
Cash and cash equivalents, End of period	$ 25,677	$ 2,697	$ 102,930	$ 39,783	$ 113,572	$ 284,659	$ 217,706

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2014
(with comparative totals for the six months ended December 31, 2013)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2014	Total 12/31/2013
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	$ (5,868)	$ (55)	$ 8,209	$ 3,046	$ 2,336	$ 7,668	$ 7,761
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	-	(83)	1,392	(924)	165	550	(14,096)
(Increase) decrease in mortgage interest receivable	24	53	572	222	(750)	121	(666)
(Increase) decrease in first mortgage loans receivable	292	(3,075)	71,701	34,319	(89,469)	13,768	(6,694)
(Increase) decrease in due from federal government	34	-	-	-	-	34	(58)
Decrease in interfund receivables	5,096	20	-	-	-	5,116	7,303
(Decrease) in interfund payables	-	-	(5,077)	-	(39)	(5,116)	(7,303)
Increase (decrease) in accounts payable	(3,826)	(28)	(96)	(39)	15	(3,974)	(1,132)
(Decrease) in accrued payroll / compensated absences	(692)	-	-	-	-	(692)	(680)
(Decrease) in due to primary government	(72)	-	-	-	-	(72)	-
Investment income included as operating revenue	(12)	(10)	(2,926)	(704)	(777)	(4,429)	(2,417)
Interest expense included as operating expense	-	-	17,203	8,702	7,596	33,501	35,506
Issuance cost included as operating expense	-	-	-	-	1,108	1,108	888
Total adjustments	844	(3,123)	82,769	41,576	(82,151)	39,915	10,651
Net cash provided (used) by operating activities	$ (5,024)	$ (3,178)	$ 90,978	$ 44,622	$ (79,815)	$ 47,583	$ 18,412
Noncash investing, capital, and financing activities:							
Increase (decrease) in fair value of investments	-	(2)	(1,508)	264	(20)	(1,266)	(13,495)
Total noncash investing, capital, and financing activities	$ -	$ (2)	$ (1,508)	$ 264	$ (20)	$ (1,266)	$ (13,495)

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution are expected to be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price. However, under the General Resolution, some or all of these requirements may be modified by a Supplemental Resolution with respect to Program Loans financed with the proceeds of Bonds subsequently issued pursuant to such Supplemental Resolution.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

FANNIE MAE MORTGAGE-BACKED SECURITIES

General

The following summary of the Fannie Mae MBS Program (as defined below), the Fannie Mae Securities, Fannie Mae's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Fannie Mae's Prospectus, as defined below, the Fannie Mae Single Family Selling and Servicing Guides and the other documents referred to herein.

Fannie Mae is subject to the supervision and regulation of the Federal Housing Finance Agency to the extent provided in the Housing and Economic Recovery Act of 2008. The FHFA has placed Fannie Mae into conservatorship.

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the Securities and Exchange Commission (the "SEC"). Fannie Mae files reports, proxy statements and other information with the SEC. Materials that it files with the SEC are also available from the SEC's website, "www.sec.gov." In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115. The documents and websites referred to above are not a part of this Official Statement, and neither THDA nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Fannie Mae

Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938, organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. (the "Charter"). Fannie Mae has a public mission to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae securitizes mortgage loans originated by lenders in the primary mortgage market into mortgage-backed securities ("Fannie Mae MBS"), which can then be bought and sold in the secondary mortgage market. Fannie Mae also participates in the secondary mortgage market by purchasing mortgage loans (often referred to as "whole loans") and mortgage-related securities, including Fannie Mae MBS, for Fannie Mae's mortgage portfolio. In addition, Fannie Mae makes other investments to increase the supply of affordable housing, however, pursuant to the Charter, Fannie Mae may not lend money directly to consumers in the primary mortgage market. *Although Fannie Mae is a corporation chartered by the U.S. Congress, the conservator of Fannie Mae is a U.S. Government agency, and the United States Department of Treasury ("Treasury'') owns senior preferred stock and a warrant to purchase common stock of Fannie Mae, the US. Government (including Treasury) does not guarantee, directly or indirectly, the securities or other obligations of Fannie Mae.*

On September 6, 2008, the Director of the Federal Housing Finance Agency ("FHFA"), the safety, soundness and mission regulator of Fannie Mae, placed Fannie Mae into conservatorship and appointed FHFA as the conservator. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. As such, FHFA has the authority to conduct all business of Fannie Mae. Pursuant to the Housing and Economic Recovery Act of 2008, FHFA, as conservator, may take "such action as may be necessary to put the regulated entity in a sound and solvent condition." Fannie Mae has no control over FHFA's actions or the actions it may direct Fannie Mae to take. The conservatorship has no specified termination date; Fannie Mae does not know when or how the conservatorship will be terminated. In addition, the Board of Directors of Fannie Mae does not have any fiduciary duties to any person or entity except to FHFA, as conservator. Accordingly, the Board of Directors is not obligated to consider the interests of Fannie Mae or the stockholders of Fannie Mae unless specifically directed to do so by FHFA, as conservator. The United States Department of Housing and Urban Development, however, remains Fannie Mae's regulator with respect to fair lending matters.

Mortgage-Backed Security Program

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the "MBS Program"). **The obligations of Fannie Mae, including its obligations under the Fannie Mae Securities, are obligations solely of Fannie Mae and are not guaranteed by the United States Government (including Treasury) and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof, including Treasury and FHFA, other than Fannie Mae.**

The terms of the MBS Program are governed by the Fannie Mae Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by the Pool Purchase Contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a Trust Indenture dated as of November 1, 1981, as amended (the "Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"). The Fannie Mae Prospectus is updated from time to time.

Copies of the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statements are available without charge from Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016, Attention: Vice President for Investor Relations, (telephone: (202) 752-6724).

Pool Purchase Contract

It is expected that Fannie Mae and the Master Servicer will enter into a Pool Purchase Contract, pursuant to which the Master Servicer will be permitted to deliver, and Fannie Mae will agree to purchase conventional loans insured by a private mortgage insurer acceptable to Fannie Mae in exchange for Fannie Mae Securities. The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of such mortgage loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the Master Servicer as of the date hereof.

Under the Pool Purchase Contract, Fannie Mae will purchase [both mortgage loans eligible under the guidelines set forth in the Fannie Mae Guides and mortgage loans insured under the Community Home Buyer's Program] that conform to the conditions set forth in the Pool Purchase Contract.

Pursuant to the requirements of the Fannie Mae Guides, as amended, the original principal balance of each mortgage loan to be sold to Fannie Mae may not exceed the amount established from time to time by Fannie Mae. The mortgage loans must be mortgage loans with loan-to-value ratios not in excess of 100%; mortgage loans with loan-to-value ratios exceeding 80% must have the principal amount of the indebtedness in excess of 75% of the appraised value of the home insured by a policy of private mortgage insurance. The provider of the mortgage insurance must be acceptable to Fannie Mae.

Under the Pool Purchase Contract, the 100% loan-to-value limitation for mortgage loans will be based upon the lower of (1) the acquisition cost plus rehabilitation cost, if any, of a home, or (2) the appraised value of a home after completion of any rehabilitation. The maximum combined loan-to-value ratio is also 100% where subordinate financing is provided, so long as the mortgage loan does not exceed a 75% loan-to-value ratio. The Pool Purchase Contract also provides that, in underwriting mortgage loans for the [Community Home Buyer's Program], certain exceptions will be made from the Fannie Mae Guides for down payment requirements and for determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

The Pool Purchase Contract obligates the Master Servicer to service the mortgage loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

Fannie Mae Securities

Each Fannie Mae Security will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae from the Master Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of $250,000 (or, in each case, the lesser amounts as may be approved by Fannie Mae). The mortgage loans backing each Fannie Mae Security are to bear interest at a rate higher than each Fannie Mae Security (the "pass-through rate"). The difference between the interest rate on the mortgage loans and the pass-through rate on the Fannie Mae Security is to be collected by the Master Servicer and used to pay the Master Servicer's servicing fee and Fannie Mae's guaranty fee.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Securities that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the mortgage loans in the pools represented by the Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loan, whether or not that principal balance is actually received. **The obligations of Fannie Mae under these guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to the faith and credit of the United States. If Fannie Mae were unable to satisfy these obligations, distributions to the Trustee, as the registered holder of the Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to the Trustee, as the holder of the Fannie Mae Securities, and payments on Outstanding Bonds would be affected by delinquent payments and defaults on those mortgage loans.**

Payments on the Mortgage Loans; Distributions on the Fannie Mae Securities

Payments on a Fannie Mae Security will be made on the 25th day of each month (beginning with the month following the month the Fannie Mae Security is issued), or, if the 25th day is not a business day, on the first business day next succeeding the 25th day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the mortgage loans in the related pool underlying the Fannie Mae Security during the period beginning on the second day of the month prior to the month of the distribution and ending on the first day of the month of distribution, (ii) the stated principal balance of any mortgage loan that was prepaid in full during the second month next preceding the month of the distribution (including as prepaid for this purpose at Fannie Mae's election any mortgage loan repurchased by Fannie Mae because of Fannie Mae's election to repurchase the mortgage loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae's election to repurchase that mortgage loan under certain other circumstances), (iii) the amount of any partial prepayment of a mortgage loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

For purposes of distributions, a mortgage loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of that mortgage loan has been received, whether or not that full amount is equal to the stated principal balance of the mortgage loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

THE MASTER SERVICER

On April 29, 2015, the Bond Finance Committee of THDA authorized negotiations with U.S. Bank to serve as Master Servicer for THDA's mortgage-backed securities program. THDA does not currently have an agreement with U.S. Bank or any other entity to serve as Master Servicer and THDA cannot provide assurances that such an agreement will be successfully negotiated. Unless and until a Master Servicer is in place, THDA will not purchase Fannie Mae Securities as described above.

APPENDIX D

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien or other approved lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank and Magna Bank (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 83% of THDA's entire portfolio of mortgage loans. Magna Bank services the remainder. THDA itself is also permitted to service Program Loans on limited basis. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA.

The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX E

2013 GENERAL RESOLUTION

This Appendix E includes the General Residential Finance Program Bond Resolution (the "2013 General Resolution") adopted by the THDA Board of Directors on January 29, 2013, as amended and supplemented by the Bond Finance Committee of the THDA Board of Directors on April 18, 2013.

TENNESSEE HOUSING DEVELOPMENT AGENCY

General Residential Finance Program Bond Resolution

Adopted January 29, 2013
as amended and supplemented
by the Bond Finance Committee of
THDA on April 18, 2013

ARTICLE V
FUNDS

ARTICLE VI
REDEMPTION OF BONDS

ARTICLE VII
PARTICULAR COVENANTS

ARTICLE VIII
SUPPLEMENTAL RESOLUTIONS

ARTICLE IX
AMENDMENTS

ARTICLE X
DEFAULTS AND REMEDIES

ARTICLE XI
CONCERNING THE FIDUCIARIES

ARTICLE XII
DEFEASANCE MISCELLANEOUS PROVISIONS

General Residential Finance Program Bond Resolution

BE IT RESOLVED *by the Board of Directors of THDA as follows:*

ARTICLE I

SHORT TITLE, DEFINITIONS AND INTERPRETATION

Section 1.1. Short Title. This resolution may hereafter be cited by THDA and is hereinafter sometimes referred to as the "General Residential Finance Program Bond Resolution."

Section 1.2. Definitions. In this Resolution, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means one or more, as the case may be, of the Accounts established pursuant to this Resolution.

"*Accountant*" means the department of audit, division of state audit, in the office of the Comptroller of the Treasury of the State or an independent certified public accountant or firm of independent certified public accountants as may be selected in accordance with applicable laws and may be the accountant or firm of accountants who regularly audit the books and accounts of THDA.

"*Act*" means the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, Sections 13-23-01 et seq., as amended.

"*Aggregate Debt Service*" means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

"*Appreciation Bond*" means any Bond whose Issue Amount is less than 97.5% of the Maturity Amount.

"*Authorized Officer*" means the Chairman and Executive Director of THDA and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of THDA then authorized to perform such act or discharge such duty.

"*Bond" or "Bonds"* means any Residential Finance Program Bond authenticated and delivered under this Resolution and issued under a Supplemental Resolution.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by THDA.

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond means the registered owner of any Outstanding Bond.

"*Bond Reserve Fund*" means the Bond Reserve Fund established pursuant to Section 5.1.

"*Bond Reserve Fund Requirement*" means, as of any date of calculation, the greater of (i) an amount equal to the aggregate of the respective amounts for each Series of Bonds, if any, established in the Supplemental Resolution authorizing such Series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Resolution or (ii) the report of an accountant as to audit or other procedures called for by this Resolution.

"*Code*" means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"*Compounded Amount*" means, as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by THDA in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to Section 2.6, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to Section 2.6. Any determination of Compounded Amount shall assume semi-annual compounding on each January 1 and July 1, straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Debt Service*" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"*Event of Default*" means any of the events specified in Section 10.1.

"*Federal Mortgage Agency*" means the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

"*Fiduciary*" means the Trustee and any Paying Agent, or any or all of them as may be appropriate.

"*Final Compounding Date*" means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year.

"*Fund*" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"*Interest Payment Date*" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"*Internal Rate of Return*" when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to Section 2.6 and compounded semi-annually, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Investment Securities*" means and includes any of the following obligations, to the extent the same are consistent with the then existing investment policy of THDA and at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) bonds, notes and treasury bills of the United States of America or other obligations guaranteed as to principal and interest by the United States of America or any of its agencies;

(2) obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association;

(3) repurchase agreements for obligations of the United States of America or its agencies with any financial institution with long-term unsecured debt rated at least “AA” by S&P and “Aa3” by Moody’s;

(4) certificates of deposit in banks and savings and loan associations recognized as “State Depositories” pursuant to Section 9-4-107 of the Tennessee Code Annotated; provided, that certificates of deposit are collateralized in accordance with Section 9-4-403 of the Tennessee Code Annotated, and provided, further, that the provider of such certificate of deposit shall have a long-term unsecured debt rating of at least “AA-” by S&P and “Aa3” by Moody’s;

(5) prime commercial paper which shall be rated in the highest category by S&P and Moody’s;

(6) prime banker’s acceptances (having maturities of not more than 365 days) that are eligible for purchase by the federal reserve system, provided by any bank, the short-term obligations of which are rated at least “A-1+” by S&P and “P-1” by Moody’s;

(7) guaranteed investment contracts with any financial institution with a long-term unsecured debt rating of at least “AA” by S&P and “Aa3” by Moody’s; provided that such guaranteed investment contract shall have a termination date no later than five and one half years from the date of issuance of the related series of Bonds, except that the termination date with respect to a guaranteed investment contract for any funds on deposit in the Bond Reserve Fund shall be no later than the maturity date of the related series of Bonds; and

(8) any other investments which, at the time of such investment, are authorized for investment of funds of THDA under the Act and would not adversely affect the then current rating assigned to the Bonds.

“*Issuance Amount*” means the price, exclusive of accrued interest (if any), at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter’s compensation, commissions, placement agent’s fees, concessions, Costs of Issuance, or similar costs.

“*Loan Fund*” means the Loan Fund established in Section 5.1.

“*Maturity Amount*” means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on a semi-annual basis.

“*Moody’s*” means Moody’s Investors Service, Inc., and any successor.

“*Non-Mortgage Receipts*” means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund, but shall not include Revenues.

“*Non-Mortgage Receipts Account*” means the Non-Mortgage Receipts Account established in the Revenue Fund pursuant to this Resolution.

“*Outstanding*,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(B), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.6, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"*Paying Agent*" means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"*Permitted Encumbrances*" means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to THDA, indemnity has been provided or similar steps to secure the interest of THDA have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as THDA shall determine do not impair the use or value of the premises.

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in subsection 5.3(D), of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"*Program*" means the various programs for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such programs are financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"*Program Expenses*" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"*Program Guidelines*" means the Program Guidelines adopted by THDA for the Program as in effect on the date of adoption of this Resolution and as revised, amended, altered or supplemented from time to time in accordance with the Act.

"*Program Loan*" means any obligation, including a participation interest therein, acquired by THDA by the expenditure of amounts in the Loan Fund. Such Program Loan shall be made to finance the acquisition of residential housing, or if authorized by a Supplemental Resolution, to finance costs of improvements to or rehabilitation of residential housing or to provide down payment and closing cost assistance. If authorized by a Supplemental Resolution, the term "Program Loan" shall also include a Program Security backed by a pool of Program Loans satisfying any conditions as may be set forth in such Supplemental Resolution.

"*Program Loan Loss Coverage*" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"*Program Security*" means an obligation representing an undivided interest in a pool of Program Loans issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

"*Projected Cash Flow Statement*" means a Certificate delivered pursuant to the provisions of Section 7.11.

"*Rating Agency*" means any nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of THDA; initially, Moody's and S&P.

"*Redemption Account*" means the Redemption Account which is established and created in the Revenue Fund pursuant to this Resolution.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to this Resolution.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bond*" means any Bond authenticated and delivered on original issuance pursuant to Section 2.7 or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to this Resolution.

"*Resolution*" means this Resolution and any amendments or supplements made in accordance with its terms.

"*Revenue Fund*" means the Revenue Fund established pursuant to Section 5.1.

"*Revenues*" means, upon receipt thereof by THDA, all payments proceeds, rents, charges and other cash income received by THDA from or on account of any Program Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, principal and interest on any Program Loan) or Program Security, but excludes (i) any amount retained by a servicer of any Program Loan as compensation for services rendered in connection with such Program Loan, (ii) any payments for the guaranty or insurance of any Program Loan or Program Security, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Loan and (iv) payments or charges constituting construction performance or completion reserves required pursuant to a Program Loan.

"*S&P*" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, and any successor.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

"*State*" means the State of Tennessee.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of this Resolution, adopted by THDA and effective in accordance with Article VIII.

"*THDA*" means the Tennessee Housing Development Agency, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of THDA.

"*Trustee*" means U.S. Bank National Association, the Trustee appointed as provided in Section 11.1 and its successor or successors and any other person at any time substituted in its place pursuant to this Resolution.

Section 1.3. Interpretation. In this Resolution, unless the context otherwise requires:

(1) the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Resolution, refer to this Resolution, and the term “heretofore” means before, and the term “hereafter” means after, the date of adoption of this Resolution;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(5) if at any time there shall be one person who shall be the holder of all of the Outstanding Bonds and the consent of the Trustee shall be required, the consent of such person shall be required in lieu of the consent of the Trustee, unless such person shall have been notified and shall not have consented within a reasonable period of time;

(6) this Resolution shall be governed by and construed in accordance with the applicable laws of the State;

(7) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of said Bond;

(8) the date upon which any Sinking Fund Payment is required to be paid pursuant to this Resolution and the provisions of the Bonds of each Series shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(9) the verb “finance”, when used with reference to a Program Loan, shall be construed to include (i) the making or purchase of such Program Loan (ii) the participation by THDA, either with itself or with others, in the making or purchase thereof or (iii) the permanent financing of a Program Loan which has been temporarily financed by THDA through the issuance of notes or other obligations or otherwise;

(10) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon;

(11) any moneys, documents, securities, obligations or other items received by the Trustee pursuant to the terms of this Resolution shall be deemed to have been received by THDA;

(12) any reference in this Resolution to principal or interest on bonds which is payable on a certain date or during a certain period of time is a reference to an amount payable on such date or during such period and does not include the obligation to pay any principal or interest after such date or period;

(13) any reference to the principal amount of Bonds shall be a reference to the Maturity Amount or the Compounded Amount thereof as of any particular date of computation in the case of Appreciation Bonds and shall mean the amount, irrespective of interest, payable upon the maturity of any Bond which is not an Appreciation Bond;

(14) references to “semi-annual” payments of interest or compounding of yield refer to payment or compounding on January 1 and July 1 of each year; and

(15) the “Compounded Amount” of an Appreciation Bond represents an accrual of the principal amount thereof payable at maturity and does not represent interest thereon, except that, for purposes of determining the Redemption Price of a Bond, the priority of payments under Section 10.3 and the required principal amount in connection with approvals and consents of Bondholders pursuant to this resolution, any

increase in the Compounded Amount occurring since the most recent Interest Payment Date shall be treated as if it were interest.

(B) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than THDA, the Fiduciaries and the holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of THDA, shall be for the sole and exclusive benefit of THDA, the Fiduciaries and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of THDA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.1. Authorization for Resolution and Bonds. This Resolution and the issuance of Bonds hereunder have been duly authorized by THDA and the principal amount of Bonds that may be issued hereunder is not limited except as provided herein or by law. THDA has ascertained and it is hereby determined and declared that the adoption of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of THDA in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the purposes of THDA under the Act.

Section 2.2. Resolution to Constitute Contract. The provisions of this Resolution shall be deemed to be and shall constitute a contract among THDA, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of THDA shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

Section 2.3. Obligation of Bonds.

(A) This Resolution creates an issue of Bonds of THDA and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest on such Bonds, including any Sinking Fund Payments for the retirement thereof. The Bonds shall be special, limited obligations of THDA payable solely from the revenues and assets pledged therefor pursuant to this Resolution. The Bonds shall not be deemed to constitute a debt, liability, or obligation of the State or of any other political subdivision thereof, and neither the full faith and credit, nor the taxing power of the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds. The Bonds shall contain on their face a statement that THDA shall not be obligated to pay the Bonds, nor the interest thereon, except from the revenues or assets pledged by THDA therefor and that neither the full faith and credit, nor the taxing power of the State or of any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds.

(B) The Revenues and Non-Mortgage Receipts and all amounts held in any Fund or Account, including investments thereof, are hereby pledged to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. In addition, subject to the provisions of subsection 10.2(D), THDA hereby pledges and assigns, to secure the payment of the Bonds, all right, title and interest of THDA in and to the Program Loans, including any extensions and renewals thereof. To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice hereof.

Section 2.4. Authorization of Bonds. In order to provide sufficient funds for the operation of the Program or for the refunding of Bonds, bonds of THDA are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided by law. No Bonds shall be issued unless they are part of an issue described in a Supplemental Resolution and until the conditions contained in Section 2.6 or, in the case of Refunding Bonds, Section 2.7 are satisfied.

Section 2.5. Issuance and Delivery of Bonds. After their authorization by THDA, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication and, upon compliance by THDA with the requirements of Section 2.6 and, in the case of Refunding Bonds, Section 2.7, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of THDA.

Section 2.6. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be executed by THDA for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to THDA or upon its order, but only upon the receipt by the Trustee of:

(1) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

(a) the authorized principal amount (by reference to the amount payable at maturity thereof) and designation of such Bonds;

(b) the purposes for which such Bonds are being issued, which shall be one or more of the following: (i) the making of deposits into the Loan Fund, (ii) the making of deposits in at least the amounts, if any, required by this Resolution into the Revenue Fund and Bond Reserve Fund, (iii) the refunding of any Bonds, or (iv) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds (or the manner of determining such dates);

(d) the interest rates of such Bonds (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Bonds;

(f) the Paying Agents and the places of payment of such Bonds or, subject to Article XI, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of Article VI, the redemption terms for such Bonds or the manner of determining such Redemption Prices or terms of redemption;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds of like maturity or the manner of determining such amounts and dates;

(i) provisions for the time, place and manner of such sale of such Bonds, as provided in the Act;

(j) provisions concerning the forms of such Bonds and of the Trustee's certificate of authentication; and

(k) any other provisions deemed advisable by THDA as shall not conflict with the provisions hereof;

(2) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution and any other authorization or determination necessary as a condition precedent to the delivery of such Bonds has been duly and lawfully adopted or made and is in full force and effect; (ii) this Resolution has been duly and lawfully authorized, executed and delivered by THDA and is valid and binding upon, and enforceable against, THDA (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Resolution creates the valid pledge which

it purports to create of the Revenues and of moneys and securities or deposit in any of the Funds established hereunder, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (iv) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Resolution;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer and attaching a schedule of Compounded Amounts in the event THDA wishes to specify such amounts with respect to any Appreciation Bonds which constitute a portion of such issue;

(4) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to Section 4.1;

(5) except in the case of the initial Series of Bonds hereunder, a Certificate of an Authorized Officer stating that the conditions of Section 7.14 for the issuance of additional Bonds have been met;

(6) a Projected Cash Flow Statement, as of the date of such delivery, complying with the conditions of subsection 7.11(C); and

(7) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution entered into pursuant to Article VIII.

Section 2.7. Conditions Precedent to Delivery of Refunding Bonds.

(A) In addition to the requirements of Section 2.6, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(1) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the obligations to be refunded (which may include Bonds, or bonds or other obligations of THDA issued pursuant to THDA resolutions other than the Resolution) and the payment or redemption dates, if any, upon which such obligations are to be paid or redeemed;

(2) if the obligations to be refunded are to be redeemed subsequent to the next succeeding ninety days, irrevocable instructions to the Trustee to give, in accordance with the appropriate resolution of THDA which authorized the issuance of such obligations, notice of the redemption of such obligations on a specified date prior to their redemption date; and

(3) either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the obligations to be refunded, together with accrued interest on such obligations to the due date or redemption date, or (ii) Investment Securities as described in subsection (B) of Section 12.1 (or, as applicable, such other investments as required by the appropriate resolution of THDA which authorized the issuance of such obligations to cause such obligations to be similarly defeased), the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or redemption price of the obligations to be refunded, together with accrued interest on such obligations to the redemption dates or dates of maturity thereof, which moneys or appropriate investments shall be held by the Trustee or any one or more of the Paying Agents in the Redemption Fund, or, as applicable, by the Trustee under the resolution of THDA which authorized the issuance of such obligations.

(B) To the extent the obligations being refunded are Bonds issued hereunder, except as provided in Section 12.1 or paragraph 10.2(A)(6), neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (A)(3) of this Section or principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in subsection 12.1(B) maturing at times and in amounts sufficient to pay when due the

principal or applicable Redemption Price of such Bonds, together with such accrued interest. Nothing in this Section, however, is intended to restrict the use of amounts received on account of any portion of the principal or interest on any Investment Securities deposited pursuant to subsection (A) above which are in excess of the amounts required to be so deposited in order to provide moneys sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds and, to the extent such Bonds have been deemed to have been paid within the meaning of Section 12.01, such amounts may be pledged by THDA and withdrawn by THDA as received and applied to any purpose of THDA, free and clear of the lien of this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Medium of Payment, Denomination, Maturities, Form and Date.

(A) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Except as may otherwise be provided in a Supplemental Resolution, all Bonds shall be in the denomination of $5,000 each or in denominations of any whole multiple thereof.

(C) Except as may otherwise be provided in a Supplemental Resolution, the date upon which any Principal Installment with respect to a Series of Bonds is payable shall be the first day of any January or July. Except as may otherwise be provided in a Supplemental Resolution, interest on each Bond shall be payable semiannually on the first day of any January or July commencing, with respect to any Series of Bonds, on the January 1 or July 1 set forth in the Supplemental Resolution adopted in connection with the issuance of such Series.

(D) Bonds shall be issued in fully registered form, without coupons.

(E) All Bonds shall bear interest from their date unless another date for the accrual of interest thereon is specified in such Bond. Interest may be made payable at a final or variable rate, based on the principal amount of the Bond (including the Compounded Amount from time to time), or upon any other amount specified in the Bond or incorporated therein by reference. Upon the original delivery of the Bonds or an exchange or transfer of Bonds pursuant to Section 3.5 or Section 3.6 hereof, the Trustee shall note the date of authentication on each Bond to be delivered. Each Bond delivered upon transfer or in exchange for or in lieu of any other Bond shall carry all the right to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise.

Section 3.3. Interchangeability of Bonds. Upon surrender thereof at the principal or corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Bonds may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.6, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any of the authorized denominations.

Section 3.4. Negotiability and Registry. All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, THDA shall maintain and keep, at the principal or corporate trust office of the Trustee, books for the registration, transfer and exchange of Bonds. So long as any of the Bonds remain Outstanding, THDA shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

Section 3.5. Transfer of Bonds.

(A) Except as provided for in Section 3.7 herein, each fully registered Bond shall be transferable only upon the books of THDA, which shall be kept for such purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written

instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such fully registered Bond, THDA shall issue in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(B) THDA and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of THDA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither THDA nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.6. Regulations With Respect to Exchanges and Transfers. Except as provided for in Section 3.6 herein, in all cases in which the privilege of exchanging or transferring Bonds is exercised, THDA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, THDA or the Trustee may make a charge sufficient to reimburse it for any expenses of THDA or the Trustee in connection therewith and for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds or as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. If the Bonds are not registered with a central depository system as provided in Section 3.7, THDA shall not be obliged to make any such exchange or transfer of Bonds (i) during the ten days preceding an Interest Payment Date on such Bonds, (ii) during the ten days preceding the date of the mailing of notice of any proposed redemption of Bonds, or (iii) with respect to any particular Bond, after such Bond has been called for redemption. THDA may, by written notice to the Trustee, establish a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, but such record date shall be not more than ten days preceding an Interest Payment Date on such Bonds or, in the case of any proposed redemption of Bonds next preceding the date of the first redemption of Bonds.

Section 3.7. Central Depository System.

(A) Notwithstanding the other provisions of this Resolution regarding registration, ownership, transfer, Bondholder consent, payment and exchange of Bonds, and the giving of notices of Bondholders as required by the provisions of this Resolution, a Supplemental Resolution may provide that all or a portion of Bonds shall be issued as book-entry only Bonds and registered in the name of a central securities depository or its nominee (the "Central Securities Depository"), in which case matters relating to registration, ownership, transfer, consent, payment and exchange of Bonds, and relating to the giving of notices to Bondholders as required by the provisions of this Resolution, shall be governed by the operational arrangements of such Central Securities Depository.

(B) With respect to Bonds registered in the registry books kept by the Trustee in the name of a Central Securities Depository, THDA and the Trustee shall have no responsibility or obligation to any participant or to any beneficial owner. Without limiting the immediately preceding sentence, THDA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Central Securities Depository or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant, any beneficial owner or any other person other than the Central Securities Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant, any beneficial owner or any other person, other than the Central Securities Depository, of any amount with respect to the principal of or premium, if any or interest on the Bonds. THDA and the Trustee may treat as and deem the Central Securities Depository to be the absolute owner of each Bond, for the purpose of payment of the principal of and premium and interest on such Bond for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Central Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge THDA's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than the Central Securities Depository shall receive an authenticated Bond evidencing the obligation of THDA to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by the Central Securities Depository to the Trustee of written notice to the effect that the Central Securities Depository has determined to substitute a new nominee, and subject to the provisions herein with respect to consents, the words "Central Securities Depository" in this Resolution shall refer to such new nominee of the Central Securities Depository.

(C) Upon receipt by THDA and the Trustee of written notice from the Central Securities Depository to the effect that the Central Securities Depository is unable or unwilling to discharge its responsibilities and no substitute the Central Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of THDA kept by the Trustee in the name of the Central Securities Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(D) In the event THDA determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates and subject to the operational arrangements of such Central Securities Depository, THDA may notify the Central Securities Depository and the Trustee, whereupon the Central Securities Depository will notify the participants, of the availability through the Central Securities Depository of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the Central Securities Depository and any other Bondowners in appropriate amounts, and whenever the Central Securities Depository requests THDA and the Trustee to do so, the Trustee and THDA will cooperate with the Central Securities Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bond to any Central Securities Depository participant having Bonds credited to its Central Securities Depository account or (ii) to arrange for another Central Securities Depository to maintain custody of certificates evidencing the Bonds.

(E) In connection with any notice of other communication to be provided to Bondholders pursuant to this Resolution by THDA or the Trustee with respect to any consent or other action to be taken by Bondholders, THDA or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Central Securities Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(F) Any transfer of a Bond affected in accordance with this Section 3.7 shall be subject to applicable laws of the State.

Section 3.8. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, THDA shall execute and the Trustee shall authenticate a new Bond of like interest rate, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and substitution for a Bond which have been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to THDA and the Trustee that such Bond have been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing THDA and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as THDA and the Trustee may prescribe and pay such expenses as THDA and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to THDA.

Section 3.9. Preparation of Definitive Bonds; Temporary Bonds.

(A) Definitive Bonds shall be typed, lithographed or printed on steel engraved borders; provided, that Bonds which are held by a Central Securities Depository shall be in form acceptable to such Central Securities Depository. Until definitive Bonds are prepared THDA may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations of $5,000 or such other denomination as may be authorized for such Bonds or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, THDA at its own expense shall prepare and execute and, without charge to the holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.10. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with

all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with THDA and the other executed Certificate shall be retained by the Trustee. Notwithstanding the foregoing, Bonds purchased by THDA shall not be cancelled to the extent that upon such purchase THDA shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond shall be purchased but not cancelled and (ii) in the event the interest on such Bonds is excludable from gross income for purposes of federal income taxation, a Bond Counsel's Opinion to the affect that the failure to cancel such Bond will not, in and of itself, adversely affect such excludability.

Section 3.11. Execution and Authentication.

(A) After their authorization by a Supplemental Resolution, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of THDA by the manual or facsimile signature of the Chairman, Vice Chairman or Executive Director of THDA and the corporate seal of THDA (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bonds of a Series may be signed and sealed on behalf of THDA by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by THDA, although the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Bonds, executed manually by the Trustee. No Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of THDA shall be conclusive evidence that the Bond so authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. The proceeds of sale of any Series of Bonds, other than the proceeds of Refunding Bonds, shall, as soon as practicable upon the delivery thereof by the Trustee pursuant to Section 2.6 be applied as follows:

(1) the amount, if any, necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Bond Reserve Fund, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Series; and

(2) the balance remaining after such deposit has been made shall be applied as specified in the Supplemental Resolution or as provided in a Certificate of an Authorized Officer.

Section 4.2. Application of Amounts in the Loan Fund. No amount in the Loan Fund shall be expended or applied for the purpose of financing Program Loans except upon compliance with the provisions of subsection 5.2(C). In addition, no Program Loan shall be financed unless such Program Loan (i) complies in all respects with the Act in effect on the date of financing and (ii) complies with any additional program covenants or requirements contained in the related Supplemental Resolution.

Section 4.3. Application of Proceeds of Refunding Bonds. The proceeds of the Refunding Bonds of a Series shall be deposited in the Redemption Account or the Debt Service and Expense Account as provided in the Supplemental Resolution authorizing such Bonds.

Section 4.4. Deposits. Except as provided in Sections 2.7 and 12.1 and subject to the right of THDA to direct the deposit of funds, whenever such amounts are not invested in Investment Securities, the Trustee shall, if permitted by law, deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of this Resolution in interest-bearing time deposits or certificates of deposit, or may enter into repurchase agreements or make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor. Each such interest-bearing time deposit, repurchase agreement or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed by THDA to be expended and, except to the extent that any such deposits shall be insured by the United States of America or the Federal Deposit Insurance Corporation, or its successor, on terms which in the judgment of THDA (as expressed in written instructions to the Trustee) provide reasonable liquidity, all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar banking arrangement shall be either continuously and fully secured under the laws of the State as determined by Board of Directors of THDA by Investment Securities (or other obligations rated in either of the two highest rating categories by a nationally recognized rating service) having a market value equal at all times to the amount of the interest-bearing time deposit, repurchase agreement, certificate of deposit or other similar banking arrangement. Notwithstanding the foregoing, repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with and recognized as primary dealers by a Federal Reserve Bank and may be entered into with any other person if (i) all amounts payable thereunder, are fully and continuously secured by Investment Securities of the type described in clauses (1) through (6) of the definition thereof in Section 1.2, (ii) the Trustee shall receive confirmation that such securities are being held for the benefit (and subject to the direction) of the Trustee by a national bank or member bank of the Federal Reserve System other than the obligor under such arrangement and (iii) the market value of the Investment Securities being held shall be maintained at a level sufficient to maintain the then current rating on the Bonds by each Rating Agency.

Section 4.5. Investment of Certain Funds.

(A) Subject to the right of THDA to direct the investment or deposit of funds hereunder in accordance with this Section, moneys in any Fund shall be continuously invested and reinvested or deposited and redeposited in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing current return (with proper preservation of principal) and minimizing the instances of uninvested funds. THDA shall consult with the Trustee from time to time as to the investment of amounts in the Funds established or confirmed by this Resolution. THDA may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in any Fund in Investment Securities in accordance with this Section and toward the objective that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended.

(B) Investment Securities purchased as an investment of moneys in any Fund held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such Fund but, except as may be otherwise provided for amounts deposited in the Redemption Fund in connection with the issuance of Refunding Bonds, the income or interest earned and gains realized in excess of losses suffered by a Fund due to the investment thereof shall be deposited as Non-Mortgage Receipts in the Non-Mortgage Receipts Account or shall be credited as Non-Mortgage Receipts to the Non-Mortgage Receipts Account from time to time and reinvested.

(C) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to this Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for which such investment was made or whenever, in the discretion of THDA, any such sale or presentment is necessary in compliance with Section 7.9. The Trustee shall advise THDA in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund in its custody under the provisions of this Resolution as of the end of the preceding month.

Section 4.6. Valuation and Sale of Investments.

(A) In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement, Investment Securities shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a

premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made as soon as practicable prior to each Interest Payment Date and at any other time required hereunder, and on any particular date shall not include the amount of interest then earned or accrued to such date on any investment.

(B) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. An Investment Security may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another.

ARTICLE V

FUNDS

Section 5.1. Establishment of Funds.

(A) THDA hereby establishes and creates the following special trust funds:

(1) Loan Fund;

(2) Revenue Fund; and

(3) Bond Reserve Fund.

(B) All such Funds shall be held and maintained by the Trustee and shall be identified by THDA and the Trustee according to the designations herein provided in such manner as to distinguish such Funds from the Funds established by THDA for any other of its obligations. All moneys or securities held by the Trustee pursuant to this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolution and the Act.

(C) This Resolution contemplates the establishment of Subaccounts within the Funds created pursuant to this Resolution. In addition to the Subaccounts established hereunder, the Trustee may from time to time, establish, close and reestablish such additional Funds, Accounts or Subaccounts as may be requested by THDA for convenience of administration of the Program and as shall not be inconsistent with the provisions of this Resolution. Notwithstanding anything in this Resolution to the contrary, including Section 2.2 hereof, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, THDA may cause the Trustee to establish a Subaccount into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit hereunder and such Supplemental Resolution may provide that initial proceeds of such Bonds on deposit therein are pledged solely to certain of the Bonds of such Series.

Section 5.2. Loan Fund.

(A) There shall be deposited from time to time in the Loan Fund any amount required to be deposited therein pursuant to this Resolution and any other amounts determined to be deposited therein from time to time.

(B) Amounts in the Loan Fund shall be expended only (i) to finance Program Loans, in accordance with Section 4.2; (ii) to pay Costs of Issuance; (iii) to make deposits in the Debt Service and Expense Account, representative of capitalized interest, in the manner provided in subsection (D) of this Section; (iv) to redeem Bonds in accordance with subsection (E) of this Section; and (v) to provide amounts for deposit in the Debt Service and Expense Account in accordance with subsection (F) of this Section. All Program Loans financed by application of amounts in the Loan Fund shall be credited to the Loan Fund.

(C) THDA shall maintain accurate records in the office of THDA describing for each Program Loan the amounts applied to the financing of such Program Loan and the persons and dates related to such payments. Upon the direction by THDA to apply amounts on deposit to the financing of Program Loans an Authorized Officer shall certify that, as to the Program Loans expected to be financed (i) the terms of such Program Loans will conform to the description of the Program Loans to be financed from such amount as set forth in the most recent Projected Cash Flow Statement delivered to the Trustee and (ii) such Program Loans will comply with the provisions of Section 4.2. The

Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Fund at any time for the purpose of making payments pursuant to this Section only upon receipt of:

(1) a written requisition setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include THDA) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from the Loan Fund pursuant to such requisition is a proper charge thereon.

(D) At least one day prior to each Interest Payment Date THDA shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amount necessary, in the opinion of such Authorized Officer, to pay interest on the Bonds of each Series from the amount on deposit in the Loan Fund, after giving effect to the actual and expected application of amounts therein to the financing of Program Loans as of the date of such Certificate. Upon receipt of such Certificate the Trustee shall transfer the amount so stated for each Series to the Debt Service and Expense Account, but only to the extent that the cumulative amount of such transfers does not exceed for each Series the amount stated as necessary to be reserved in the Loan Fund for the purpose of paying capitalized interest pursuant to the Projected Cash Flow Statement delivered in connection with the delivery of such Series pursuant to subsection 7.11 plus the amount, if any, certified by an Authorized Officer as available for such purpose from amounts originally reserved in the Loan Fund for the payment of capitalized interest and Costs of Issuance with respect to other Series in excess of the amounts actually required therefor.

(E) At any time THDA may direct the Trustee in writing to transfer amounts in the Loan Fund to the Redemption Account or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the provisions of Article VI.

(F) THDA may at any time direct the Trustee to transfer amounts in the Loan Fund to the Revenue Fund, but only if there is delivered to the Trustee a Projected Cash Flow Statement showing the amount to be so transferred and that, after giving effect to such transfer, such Statement complies with subsection 7.11(C).

Section 5.3. Revenue Fund.

(A) The Trustee shall establish and create within the Revenue Fund three Accounts into which amounts shall be deposited and from which amounts shall be transferred as provided in this Section. These Accounts shall be designated as the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account. THDA shall cause all Revenues to be deposited promptly with the Trustee (at least monthly) and such amounts shall be deposited in the Debt Service and Expense Account. There shall also be deposited in the Debt Service and Expense Account any other amounts required to be deposited therein pursuant to this Resolution.

(B) The Trustee shall pay out of the Debt Service and Expense Account to the respective Paying Agents for any of the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments. Upon receipt of appropriate requisitions and certificates reflecting such payment in the form prescribed by subsection 5.2(C), amounts on deposit in the Debt Service and Expense Account may be applied to the payment of accrued interest in connection with the financing of any Program Loan.

(C) Prior to the forty-fifth day preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by an Authorized Officer of THDA shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of said Sinking Fund Payment plus unpaid interest

accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(2) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (K) of this Section (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 6.3, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service and Expense Account to the appropriate Paying Agents on the date preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) Upon delivery by THDA to the Trustee of a Certificate of an Authorized Officer which states the amount then on deposit in the Debt Service and Expense Account, the Trustee shall promptly transfer from the Debt Service and Expense Account an amount equal to the amount stated in such Certificate as follows:

FIRST: From amounts representing principal payments on Program Loans, the amount, if any, as shall be required by the Code to be applied to the redemption of Bonds shall be transferred to the Redemption Account.

SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount, if any, as shall be required to make any arbitrage rebate payment to the United States of America as required by the Code shall be transferred to THDA to be applied to such payment.

THIRD: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.

FOURTH: From the amount, if any, so available after the transfers provided above have been made, the amount needed to pay reasonable and necessary Program Expenses which are due and owing shall be transferred to THDA, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

FIFTH: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, to be transferred to the Loan Fund shall be so transferred, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

SIXTH: From the amount, if any, so available after any transfers provided for above have been made, the remaining amount may be transferred to the Redemption Account upon the direction of THDA and thereafter applied in accordance with subsection (I) of this Section. If the amount of Program Loans (valued at par) and

Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA, to be applied to any purpose of THDA consistent with Section 7.9, free and clear of the lien of any pledge of this Resolution, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

(G) Notwithstanding any other provision of this Section, the Trustee may at any time, upon the written direction of an Authorized Officer, (i) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund, or the Redemption Account or (ii) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer or payment shall be made, however, unless such withdrawal is in an amount less than or equal to the amount of such withdrawal as set forth in the most recent Projected Cash Flow Statement.

(H) Notwithstanding the provisions of subsection (A) of this Section, no payments shall be required to be made into the Debt Service and Expense Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the Bonds have been defeased in accordance with Section 12.1 hereof; any Revenues thereafter received by THDA may be applied to any corporate purpose of THDA free and clear of the lien of the pledge of this Resolution.

(I) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Resolution and any other amounts available therefor and determined by THDA to be deposited therein. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, all amounts deposited in the Redemption Account shall be applied to the payment, purchase or redemption of Bonds, at the earliest practicable Redemption Date. Subject to the provisions of this Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in this Section and Article VI. Any earnings derived from the investment of amounts deposited in the Redemption Account pursuant to Section 2.7 shall, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in said Section, be deposited in the Redemption Account. Amounts on deposit in the Redemption Account for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Supplemental Resolution authorizing the issuance of Refunding Bonds, including amounts derived from the investment thereof as provided in this subsection, shall be segregated and shall be identified as such on the records of the Trustee.

(J) Except as may be otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit therein. THDA may, however, by delivery to the Trustee of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of THDA. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as THDA shall from time to time direct or, in the absence of such direction, as the Trustee may determine in its sole discretion and as may be possible with the amounts then available therefor. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Resolution on any date or dates within thirteen months after such purchase, in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price, and deposit the same in the Debt Service and Expense Account within the Revenue Fund.

(K) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward each such Sinking Fund Payment thereafter to become due an amount as nearly as may be practicable in multiples of $5,000 (or such other denomination as shall be authorized for the related Series of Bonds) bearing the same ratio to such Sinking Fund Payment, as the total principal amount of such Bond so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(L) Except as otherwise specifically provided herein, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price or at any other price and any arm's length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(M) All Non-Mortgage Receipts shall be deposited, promptly upon receipt by the Trustee, in the Non-Mortgage Receipts Account. The Trustee shall maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund and the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund (referred to in this Section as the "average daily balance"). If so directed by THDA, the Trustee shall maintain such for each Series of Bonds separately.

(N) Not later than each Interest Payment Date, the Trustee shall transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of the transfers provided by this Subsection, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

(O) Any amount remaining in the Non-Mortgage Receipts Account after the transfer to the Debt Service and Expense Account described in paragraph (N) above shall be transferred, at the direction of an Authorized Officer, to the Loan Fund or the Redemption Account.

Section 5.4. Bond Reserve Fund.

(A) If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Fund and the Redemption Fund, if applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Bond Reserve Fund to the extent necessary to make good the deficiency.

(B) If, concurrently with any allocation from the Revenue Fund pursuant to subsection (B) or (F) or (G) of Section 5.3, the amount on deposit in the Bond Reserve Fund, shall be in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed in writing by an Authorized Officer of THDA, transfer the amount of such excess to the Redemption Account.

(C) Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Fund shall be transferred to the Bond Reserve Fund. Prior to said transfer all investments held in the Revenue Fund shall be liquidated and any Bonds constituting a part of such Fund shall be deemed paid and cancelled.

(D) It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Resolution, in the Bonds and in the respective Supplemental Resolutions authorizing the issuance of such Bonds and authorizing the issuance of Refunding Bonds.

Section 6.2. Redemption at the Election or Direction of THDA; Conditional Notice. In the case of any redemption of Bonds otherwise than as provided in Section 6.3, THDA shall give written notice to the Trustee of its election or direction so to redeem, on the Redemption Date, the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by THDA in its sole discretion, subject to any limitations with respect thereto as may be provided in a Supplemental Resolution or otherwise contained in or permitted by this Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least forty-five days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 6.5, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise THDA shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed; provided, however, that any election or direction to redeem Bonds may be conditional, and THDA may elect or direct that any notice of redemption given pursuant to Section 6.5 shall be made conditional, upon the deposit with the Paying Agent of such sufficient moneys or other conditions. THDA shall promptly notify the Trustee in writing of all such payments made by THDA to a Paying Agent.

Section 6.3. Redemption Otherwise Than at THDA's Election or Direction. Whenever by the terms of this Resolution, the Trustee is required to redeem Bonds otherwise than at the election or direction of THDA, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article V, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, interest rate and maturity, the Trustee shall assign to each such Outstanding fully registered Bond a distinctive number for each $5,000 of the principal amount thereof so as to distinguish each such $5,000 from each other portion of the Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds bearing the numbers so selected; but only so much of the principal amount of each such fully registered Bond of a denomination or more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding. In the case of Appreciation Bonds, in the event that the Compounded Amount of any such Bond shall be less than $5,000, the Trustee shall assign a number to such Bond as if the Bond had a principal amount equal to $5,000 for purposes of this Section. If a Supplemental Resolution provides for a minimum denomination larger (or smaller) than $5,000, all references in this Section to $5,000 shall be deemed to refer to such larger (or smaller) minimum denomination. Notwithstanding the foregoing, Bonds that are held by a Central Securities Depository (or beneficial ownership interests in Bonds registered in the name of a Central Securities Depository or its nominee) shall be selected for redemption in accordance with the operational arrangements of such Central Securities Depository.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Resolution pursuant to Section 6.3, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth in summary terms, the conditions precedent to such redemption and

that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository as provided in Section 3.7 hereof) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

Section 6.6. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 6.5 and assuming that all conditions precedent have been satisfied, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of portions of Bonds, a written instrument of exchange duly executed by the registered owner or his duly authorized attorney. If there shall be drawn for redemption less than the entire principal amount of a Bond, THDA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable.

If any notice of redemption pursuant to Section 6.5 is given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient moneys to pay the Redemption Price therefor on the Redemption Date and if such moneys sufficient to pay the Redemption Price and accrued interest have not been made available by THDA to the Trustee or the appropriate Paying Agent or Paying Agents on the Redemption Date, such notice of redemption shall be cancelled and be without effect and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding. The Trustee shall, within two business days after the proposed Redemption Date, give notice, in the manner in which the notice of redemption was given, that such conditions were not satisfied.

ARTICLE VII

PARTICULAR COVENANTS

THDA covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 7.1. Performance. THDA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of THDA under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

Section 7.2. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of THDA, shall be within every debt and other limit prescribed by law.

Section 7.3. Power to Issue Bonds and Pledge Revenues, Funds and Other Property. THDA is duly authorized under all applicable laws to authorize and issue the Bonds and to enter into, execute and deliver this Resolution and to pledge the assets and revenues purported to be pledged hereby in the manner and to the extent herein provided. The assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate or other action on the part of THDA to that end has been and will be duly and validly taken. The Bonds and the provisions

of this Resolution are and will be the valid and legally enforceable obligations of THDA in accordance with their terms and the terms of this Resolution. THDA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under this Resolution, and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 7.4. Payment of Bonds. THDA shall duly and punctually pay or cause to be paid, as herein provided, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 7.5. Extension of Payment of Bonds. THDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon and in the event that the maturity of any of the Bonds or the time for payment of interest thereon shall be extended, such Bonds, shall not be entitled to the benefit of this Resolution or to any payment out of the Funds established pursuant to this Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extension. Nothing herein shall be deemed to limit the right of THDA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.6. Offices for Servicing Bonds. THDA shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon THDA in respect of the Bonds or of this Resolution may be served. The Trustee shall maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon THDA. THDA may appoint one or more additional or other Paying Agents as its respective agents to maintain such offices or agencies for the payment of the Bonds of any particular Series and maturity.

Section 7.7. Further Assurance. At any and all times THDA shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which THDA may become bound to pledge or assign.

Section 7.8. Waiver of Laws. THDA shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law not or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by THDA.

Section 7.9. Tax Covenants.

(A) Subject to subsection (C) of this Section, THDA shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(B) THDA shall not permit at any time or times any of the proceeds of the Bonds or any other funds of THDA to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code.

(C) Notwithstanding the foregoing, THDA hereby reserves right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this Section shall not apply to such Bonds.

Section 7.10. Accounts and Reports.

(A) THDA shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Program Loans and all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) THDA shall annually, within 210 days after the close of each Fiscal Year, file with the Trustee a copy of the financial statements of THDA for such Fiscal Year, setting forth in reasonable detail:

(1) the balance sheet for THDA and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year;

(2) a statement of THDA's revenues and expenses in accordance with the categories or classifications established by THDA for its operating and program purposes and showing the revenues and expenses of the Program during such Fiscal Year; and

(3) a statement of changes in financial position, including changes in financial position of the Program, as of the end of such Fiscal Year.

The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(C) If at any time during any Fiscal Year there shall have occurred an Event of Default, then THDA shall file with the Trustee, within forty-five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

(D) Any such financial statements may be presented on a consolidated or combined basis with other reports of THDA, but only to the extent that such basis of reporting shall be consistent with that required under subsection (B) of this Section.

(E) A copy of each annual Projected Cash Flow Statement prepared in accordance with Section 7.11 hereof and any special report filed pursuant to subsection (C) of this Section and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Section 7.11. Periodic Delivery of Projected Cash Flow Statement.

(A) THDA shall file a Projected Cash Flow Statement with the Trustee (i) whenever Bonds are issued pursuant to Section 2.6, (ii) on or within thirty (30) days after THDA's filing of its financial statements as provided in Section 7.10(B), if a Projected Cash Flow Statement has not been filed within the prior year and (iii) at such other times as required by this Resolution or as may be required by a Supplemental Resolution.

(B) A Projected Cash Flow Statement shall set forth projected Revenues, Program Expenses and interest payments and Principal Installments for each year during which Bonds will be Outstanding based upon the reasonable expectations of THDA at the time such Certificate is filed. A Projected Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon THDA's reasonable expectations at the time such Projected Cash Flow Statement is filed. The listing of Revenues from Program Loans and Investment Securities shall be supported by a schedule identifying the Program Loans and Investment Securities by maturity and interest rate, including Program Loans expected to be financed with amounts in the Loan Fund.

(C) A Projected Cash Flow Statement shall be considered to comply with this subsection if such Statement shows that (i) the estimated Revenues for each annual period in which Bonds will be Outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to this Resolution), will be sufficient for the payment of the estimated Debt Service and Program Expenses for such annual period, and (ii) the total assets (consisting of cash and investments, valued as provided herein, and the principal balance of Program Loans) held hereunder equal to or exceed the total liabilities of all Bonds Outstanding hereunder for each such annual period.

Section 7.12. The Program.

(A) THDA shall from time to time with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of this Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program,

to finance Program Loans pursuant to the Act and this Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Program Loans and, if not inconsistent with sound banking practices and principles, consent to modification of repayment terms of the Program Loans), sufficient to pay the expenses of the Program and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to protect its rights with respect to or to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans including the collection, custody and prompt application of all escrow payments required by the terms of a Program Loan for the purposes for which they were made.

(B) Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, THDA shall commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof and may otherwise take possession of or acquire such premises.

(C) THDA may at any time sell, assign or otherwise dispose of a Program Loan (or the premises to which such Program Loan related) or a Program Security:

(1) in the case of a Program Loan, in the event that payment under such Program Loan is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds the debt service on which is equivalent to the payments on the Program Loan; or

(3) a Projected Cash Flow Statement shall be filed with the Trustee which gives effect to the proposed sale thereof and complies with the conditions set forth in subsection 7.11(C).

Section 7.13. Personnel and Servicing of Programs.

(A) THDA shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Act and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by THDA shall be qualified for their respective positions.

(B) THDA may pay to any agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for THDA.

(C) THDA shall duly and properly service all Program Loans and enforce the payment and collection of all payments of principal and interest and all Escrow Payments or shall cause such servicing and/or enforcing to be done by a servicer evidencing, in the judgment of THDA, the capability and experience necessary to adequately service Program Loans. Each such servicer shall enter into a servicing agreement providing that:

(1) all amounts received by such servicer, except as compensation for its services, shall be promptly transferred to the Trustee subject to and in accordance with the provisions of this Resolution;

(2) such servicer shall at all times remain qualified to act as such pursuant to such standards as THDA shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Program Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in THDA's sole discretion, and shall maintain individual files for each Program Loan serviced pursuant to the servicing agreement and provide regular reports to THDA as to collections and delinquencies with respect to all Program Loans serviced by such servicer.

Section 7.14. Issuance of Additional Obligations.

(A) THDA shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which, except as provided in Section 5.1(C) hereof, will be secured by a superior or equal charge and lien on the revenues and assets pledged hereunder, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds under this Resolution on a parity with the Bonds of such initial Series of Bonds and secured, except as provided in Section 5.1(C) hereof, by an equal charge and lien on the revenues and assets pledged hereunder and payable equally therefrom for one or more of the purposes set forth in Section 2.4.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under this Resolution unless an Authorized Officer shall have certified that:

(1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) upon the issuance and delivery of such additional Bonds, the amount credited to the Bond Reserve Fund is at least equal to the Bond Reserve Fund Requirement, as valued not more than five (5) Business Days prior to the date of issuance of such additional Bonds;

(3) the provisions of Section 2.6 or, in the case of Refunding Bonds, Section 2.7 shall have been complied with as of the date of delivery of such Series;

(4) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, THDA shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution; and

(5) upon the issuance of such Series and application of the proceeds thereof in accordance with Article IV hereof, the amount of Program Loans and Investment Securities credited to all Funds and Accounts hereunder, other than the Redemption Account, when valued in accordance with this Resolution, will be equal to the principal amount of Outstanding Bonds, including the Bonds thereupon being issued.

(C) THDA hereby expressly reserves the right to enter into or adopt one or more additional indentures or resolutions for its purposes, including the purposes of the Program, and reserves the right to issue other obligations for such purposes.

Section 7.15. Bond Reserve Fund.

(A) THDA shall at all times maintain the Bond Reserve Fund created and established by Section 5.1 and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of THDA or the Trustee or the Paying Agents under the terms and provisions of Article V hereof. It is hereby expressly provided that the Bond Reserve Fund shall not constitute a “debt service reserve fund” within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

(B) Notwithstanding any other provisions of this Resolution the Trustee shall not permit amounts to be withdrawn from the Bond Reserve Fund other than pursuant to subsection 5.4(A) unless there shall have been filed with the Trustee a Certificate of an Authorized Officer stating that such amounts are not required to be retained therein to provide funds for the payment of Principal Installments or interest on Outstanding Bonds when due.

Section 7.16. Assignment of Program Loans Upon Default. Upon the happening of an Event of Default specified in Section 10.2 and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA shall deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee. If, however, the Trustee and the Bondholders are restored to their positions in accordance with Section 10.4, the Trustee shall assign such Program Loans back to THDA.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.1. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of THDA may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of THDA in this Resolution other covenants and agreements to be observed by THDA which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by THDA which are not contrary to or inconsistent with this Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon THDA by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of THDA contained in this Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues and Non-Mortgage Receipts or of any other revenues or assets;

(6) to accommodate the conversion of the Program to the purchase of Program Securities in addition to or in lieu of Program Loans;

(7) to modify any of the provisions of this Resolution in any respect whatever, but only if either (i) such modification shall not materially adversely affect the interest of the Bondholders (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondholders) or (ii) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding; or and, with respect to (ii) above, such modification is disclosed in any offering documents of THDA for Bonds issued subsequent to the date of adoption of the Supplemental Resolution; or

(8) to authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued.

Section 8.2. Supplemental Resolutions Effective Upon Consent of Trustee.

(A) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and THDA of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee in connection with the Program Loans.

(B) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 8.3. Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX.

Section 8.4. General Provisions.

(A) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of THDA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.7 or the right or obligation of THDA to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Resolution.

(B) Any Supplemental Resolution permitted or authorized by Section 8.1 or 8.2 may be adopted by THDA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon THDA.

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.1, 8.2 or 8.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(D) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

Section 9.1. Mailing and Publication of Notice of Amendment. Any provision in this Article for the mailing of a notice to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of THDA and (ii) to the Trustee.

Section 9.2. Powers of Amendment. Any modification of or amendment to this Resolution and of the rights and obligations of THDA and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3, with the written consent given as provided in Section 9.3, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its

written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on THDA and all holders of Bonds.

Section 9.3. Consent of Bondholders.

(A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 or 8.2 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed, by first class mail postage prepaid, by THDA to the holders of any registered Bond. Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 9.2 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by THDA in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon THDA and enforceable in accordance with its terms.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14. A Certificate by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.14. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with THDA and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by THDA on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by THDA by mailing such notice to the Bondholders, first class mail, postage prepaid, (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). THDA shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon THDA, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period, except that any Fiduciary and THDA during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 9.4. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of THDA and of the holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by THDA of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of THDA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and THDA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, THDA shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by THDA and the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If THDA or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and THDA shall be prepared, executed, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity, then Outstanding, upon surrender of such Bonds. All Bonds surrendered in such an exchange shall be cancelled by the Trustee.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is hereby declared an "Event of Default":

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise shall not be made when and as the same shall become due; or

(2) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or

(3) THDA shall fail or refuse to comply with the provisions of this Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Section 10.2. Remedies.

(A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1 the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to acceleration of the Bonds pursuant to clause (5) below) shall proceed, in its own name, subject to the provisions of Section 11.3, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues and Non-Mortgage Receipts adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from THDA for principal, Redemption Price, interest or otherwise, under any provisions of this Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against THDA for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Non-Mortgage Receipts and of the assets of THDA relating to the Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default.

(A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, subject to Section 10.11, hereof as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of

principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to THDA, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case THDA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction

Section 10.6. Limitation on Rights of Bondholders.

(A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or by law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section, or any other provision of this Resolution, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party

litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Resolution.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Resolution to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal of or Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee and, (ii) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee.

(A) The Bond Finance Committee of THDA has been delegated the responsibility for choosing the initial Trustee pursuant to this Resolution. The Trustee shall signify its acceptance of the duties and obligations of the Trustee by executing a written acceptance of its obligations under this Resolution.

(B) The Trustee is hereby vested with all of the rights, powers and duties of a Trustee permitted to be appointed by Bondholders pursuant to the Act and the right of Bondholders to appoint a trustee pursuant to the Act is hereby abrogated as permitted by the Act.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents.

(A) THDA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent.

(B) Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by a written instrument of acceptance executed and delivered to THDA and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of THDA for the payment of the Bonds.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of THDA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to THDA. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to THDA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to THDA, the holders of any of the Bonds or any other person for any act or omission done or omitted to be done by such Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Resolution or for any act or omission done or omitted in good faith and without willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by THDA to any Fiduciary shall be sufficiently executed if executed in the name of THDA by an Authorized Officer.

Section 11.5. Compensation. THDA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees (whether or not litigation ensued and, if so, fees on trial and any appeal therefrom) and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under this Resolution. THDA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds issued hereunder with the same rights it would have if it were not a Fiduciary. Any Fiduciary may permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may participate as a lender under the Program and may sell Program Loans to THDA. Except as otherwise provided by THDA, no Fiduciary may act as an underwriter with respect to the issuance of any Bonds.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to THDA, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 11.8. Removal of Trustee. The Trustee shall be removed by THDA if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and THDA and signed by the holders of a majority

in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of THDA by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, THDA covenants and agrees that it will thereupon appoint a successor Trustee.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to THDA written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least $100,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to THDA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of THDA, or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from THDA be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by THDA. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Resolution shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Resolution as Trustee.

Section 11.11. Merger, Consolidation or Sale. Any company into which any Fiduciary or its trust department may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of authentication of the Trustee shall have.

Section 11.13. Resignation or Removal of the Paying Agent and Appointment of Successor.

(A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to THDA and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent, and the Trustee and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by THDA and (subject to the requirements of Section 7.6) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least $25,000,000, and willing and able to accept the office of Paying Agent, on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds.

(A) Any request, consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable:

(1) the fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) the amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a Certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depositary or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depositary the Bonds described in such Certificate. Continued ownership after the date stated in such Certificate may be proved by the presentation of such Certificate if the Certificate contains a statement by such officer that the depositary held the Bonds therein referred to on the date of the Certificate and that they will not be surrendered without the surrender of the Certificate to the depositary, except with the consent of the Trustee, and a Certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by THDA or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of this Resolution or any Supplemental Resolution (or microfilm, microcard or similar photographic or scanned reproduction thereof) shall be retained in its possession and shall be subject at all reasonable times to the inspection of THDA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

ARTICLE XII

DEFEASANCE
MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance.

(A) If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of THDA, execute and deliver to THDA all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to THDA all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If THDA shall pay or cause to be paid, or there shall otherwise be paid, to the holders of any Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of THDA to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) Bonds and interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) shall, at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, THDA shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on such Bonds; but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this Section, Investment Securities mean and include only direct and general obligations of the State or obligations guaranteed by the State or such obligations as are described in clause (1) of the definition of Investment Securities herein.

(C) If, through the deposit of moneys by THDA or otherwise, the Fiduciaries shall hold, pursuant to this Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which THDA shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of THDA all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or the redemption of such Outstanding Bonds. If all or a portion of the moneys made available to pay the principal of and interest on Outstanding Bonds at maturity or prior redemption shall have been derived from the issuance of refunding obligations of THDA, upon the written direction of THDA, the Fiduciaries shall reallocate or transfer all moneys, securities, Program Loans or Program Securities as shall be required by operation of the transferred proceeds provisions of the Code.

(D) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Bonds which remain unclaimed for five years (or such other period of time required by abandoned property laws of the State) after the date when all of such principal or interest, as the case may be, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years (or such other period of time required by abandoned property laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, to the extent required by State law, be paid by the Fiduciary to the State Treasurer or other appropriate official free from trust, and otherwise at the written request of THDA, be repaid by the Fiduciary to THDA, as its absolute property and free from trust, and, in either such case, the Fiduciary shall thereupon be released and discharged.

Section 12.2. Notice by Electronic Means. Any notice, direction or other communication given hereunder from THDA to the Rating Agencies or any Fiduciary or from any Fiduciary to THDA or the Rating Agencies, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation or delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Time, and otherwise on the next business day.

Section 12.3. Notices to Rating Agencies. To the extent not otherwise provided herein, the Trustee shall provide written notice to the Rating Agencies of any of the following occurrences: (i) the defeasance or discharge of this Resolution within the meaning of Section 12.1 hereof, (ii) the downgrade of the provider of any Investment Security described in paragraph (3) or (7) of the definition thereof below the rating requirement included in such paragraphs and the substitution of any provider thereof; (iii) the resignation or removal of the Trustee, (iv) the appointment of a successor Trustee, and (v) any amendment of this Resolution or any Supplemental Resolution.

Section 12.4. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of THDA contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of THDA and not of any officer or employee of THDA in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any member, officer or employee of THDA or any natural person executing the Bonds.

Section 12.5. Security Instrument. A certified copy of this Resolution, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Tennessee.

Section 12.6. Effective Date. This Resolution shall take effect immediately.

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $660,000,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Amount Outstanding as of March 31, 2015 (unaudited)	Original Net Interest Cost[1]
2009-A	December 23, 2009	$100,000,000	--	$ 63,780,000	3.96%
2010-A/ 2009-B, Subseries B-1	June 17, 2010	74,710,000	$ 85,290,000	100,520,000	3.85
2010-B/ 2009-B, Subseries B-2	November 10, 2011	40,000,000	60,000,000	74,985,000	3.15
2011-A/ 2009-B, Subseries B-3	April 14, 2011	40,000,000	60,000,000	70,630,000	3.70
2011-B/ 2009-B, Subseries B-4	August 25, 2011	40,000,000	60,000,000	81,640,000	3.01
2011-C/ 2009-B, Subseries B-5	November 3, 2011	65,290,000	34,710,000	82,460,000	3.01
TOTAL		$360,000,000	$300,000,000	$474,015,000	

(1) Bond yield.

As of March 31, 2015, 4,850 mortgage loans in the approximate aggregate principal amount of $454,730,446 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for the general purposes of THDA only as provided in the 2009 General Resolution.

In particular, THDA sold Issue 2015-A under the 2009 General Resolution in the principal amount of $163,850,000. THDA expects that the bulk of the proceeds generated will be used to refund certain bonds outstanding under the 2009 General Resolution and certain program loans and investments allocated to such bonds being refunded will be transferred to the Issue 2015-A Bonds. THDA expects that approximately $15,275,843 of the proceeds from the sale of Issue 2015-A will be used to finance participation interests in Program Loans under the 2013 General Resolution or in mortgage loans financed, in part, with moneys available under other general resolutions of THDA or to finance Program Loans at 0% interest.

General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $2,147,067,000 total original principal amount of Bonds under the 1985 General Resolution, which were outstanding as shown on the table below:

Issue of Bonds	Dated	Issued	Outstanding as of March 31, 2015 (unaudited)	Original Net Interest Cost[(1)]
2005-2	November 17, 2005	$ 100,000,000	$ 28,555,000	4.61
2006-1	April 27, 2006	100,000,000	25,480,000	4.66
2006-2	July 27, 2006	100,000,000	24,130,000	4.86
2006-3	October 31, 2006	100,000,000	32,965,000	4.58
2007-1	March 13, 2007	100,000,000	35,820,000	4.49
2007-2	June 6, 2007	120,000,000	47,135,000	4.53
2007-3	August 7, 2007	150,000,000	54,750,000	4.77
2007-4	October 30, 2007	150,000,000	59,625,000	4.79
2008-1	May 29, 2008	60,000,000	22,400,000	4.93
2008-3	September 30, 2008	90,000,000	21,660,000	5.00
2009-1	June 11, 2009	50,000,000	27,840,000	4.39
2009-2	September 30, 2009	75,000,000	41,645,000	4.06
2010-1	October 13, 2010	120,700,000	65,295,000	3.57
2011-1	December 1, 2011	141,255,000	99,480,000	3.80
2012-1	July 19, 2012	133,110,000	107,025,000	3.26
2012-2	November 15, 2012	97,625,000	84,275,000	2.92
TOTAL		$1,687,690,000	$778,080,000	

(1) Bond yield.

As of March 31, 2015, 11,737 mortgage loans in the approximate aggregate principal amount of $830,546,945 were outstanding under the 1985 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1985 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1985 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1985 General Resolution.

Housing Bond Resolution (Mortgage Finance Program)(the "1974 General Resolution")

All bonds then outstanding under the 1974 General Resolution were refunded by the Issue 2013-1 Bonds issued under the General Resolution. All assets, including mortgage loans, cash, and investments valued as of June 30, 2014, then remaining under the 1974 General Resolution were transferred to the General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX H

RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES

General

The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. No assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

All Program Loans, or participations therein, to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described below. The Issue 2015-1 Supplemental Resolution provides that the Program Loans to be financed with proceeds of Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State.

In addition to the foregoing, THDA is in the process of implementing a program under which THDA approved originating agents would make loans to qualified borrowers to finance the purchase of qualified single-family residences in Tennessee and that are insured by private mortgage insurance issued by an entity acceptable to Fannie Mae. Such loans would be pooled and would back Program Securities guaranteed as to timely payment of principal and interest by Fannie Mae. THDA may purchase such Program Securities using bond proceeds and such purchased Program Securities may be held under the General Resolution. THDA may use a portion of the proceeds of the Offered Bonds to purchase Fannie Mae Securities although no assurances can be provided that THDA will do so. THDA does not expect to use proceeds of the Offered Bonds to directly purchase conventional loans backed by private mortgage insurance unless such loans are pooled into Program Securities. See Appendix C for additional information regarding Fannie Mae and Fannie Mae Securities.

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the “Code”). The limits vary from county to county and are periodically adjusted.

THDA’s current income limits range from $54,600 to $89,600 depending on household size and geographic location. THDA’s income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA’s acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA’s actual data which justifies a higher limit. THDA’s current maximum acquisition cost limits are either $240,000 or $275,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA’s Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf (“Originating Agents”). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a “first-come, first-serve” basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, up to 2% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from

Bond proceeds include mortgage banking firms, commercial banks, and credit unions. The lendable proceeds of the Bonds are made available throughout the State. See Appendix D for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a “due on sale” clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a “due on sale” clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the “Borrower Affidavit”) and of the seller (the “Seller Affidavit”) and on examination of copies of the borrower’s most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year’s debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions to service THDA Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms or commercial banks. THDA may also service Program Loans. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval. THDA Servicers currently are U.S. Bank and Magna Bank.

THDA requires regular reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Single Family Programs and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix D.

APPENDIX I

June 11, 2015

Tennessee Housing Development Agency
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, TN 37243-0200

Tennessee Housing Development Agency
Residential Finance Program Bonds
$25,400,000 Issue 2015-1A (AMT)
$1,995,000 Issue 2015-1B (Non-AMT)
$122,605,000 Issue 2015-1C (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $25,400,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2015-1A (AMT) (the "Issue 2015-1A Bonds"), $1,995,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2015-1B (Non-AMT) (the "Issue 2015-1B Bonds") and $122,605,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2015-1C (Non-AMT) (the "Issue 2015-1C Bonds" and, together with the Issue 2015-1A Bonds and the Issue 2015-1B Bonds, the "Issue 2015-1 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2015-1 Bonds were authorized to be issued pursuant to the Act, the General Residential Finance Program Bond Resolution of THDA, adopted January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on March 24, 2015, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on May 13, 2015 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2015-1 Bonds (collectively, the "Residential Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2015-1 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2015-1 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2015-1 Bonds in order that interest on the Issue 2015-1 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2015-1 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2015-1 Bonds are valid and legally binding special, limited obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Residential Finance Program Bonds, including the Issue 2015-1 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2015-1 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2015-1 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2015-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2015-1A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2015-1B Bonds and the Issue 2015-1C Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iv) interest on the Issue 2015-1B Bonds <u>will be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code, and (v) interest on the Issue 2015-1C Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2015-1 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2015-1 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2015-1 Bonds may have to take interest on such Issue 2015-1 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2015-1 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2015-1 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2015-1 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES*

Delinquencies and Foreclosures as of December 31, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.03%, based on a total of 6,758 Program Loans as of December 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	122	$8,938,300	2.17%	1.85%(4)
VA Guaranteed	3	173,469	1.58	1.06
Privately Insured	1	9,960	0.56	0.53
USDA/RD Guaranteed	9	732,401	1.87	(5)
Uninsured	2	37,833	0.73	(5)
TOTAL	137	$9,891,963(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.39%, based on a total of 6,758 Program Loans as of December 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2014

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	261	$18,048,346	4.63%	3.25%(4)
VA Guaranteed	7	524,838	3.68	2.32
Privately Insured	7	276,881	3.93	1.08
USDA/RD Guaranteed	22	1,271,157	4.56	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	297	$20,121,222(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data includes Program Loans transferred to the General Resolution in connection with prior Bond issuances and Program Loans financed with the proceeds of prior Bonds issuances under the General Resolution. The delinquency and foreclosure data also includes data regarding 1974 General Resolution Transferred Loans transferred to the General Resolution as of June 30, 2014. The delinquency and foreclosure data does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall rate of Program Loans in foreclosure was 0.37%, based on a total of 6,758 Program Loans as of December 31, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2014, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	23	$1,461,028	0.41%	1.86%[4]
VA Guaranteed	2	261,582	1.05	1.08
Privately Insured	0	0.00	0.00	0.50
USDA/RD Guaranteed	0	0.00	0.00	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	25	$1,722,610[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.82%, based on a total of 5,998 Program Loans as of September 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	94	$5,963,707	1.89%	1.73%[4]
VA Guaranteed	2	53,045	1.13	1.07
Privately Insured	2	103,933	1.14	0.54
USDA/RD Guaranteed	11	708,168	2.66	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	109	$6,828,853[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.78%, based on a total of 5,998 Program Loans as of September 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	198	$12,664,651	3.98%	3.85%[4]
VA Guaranteed	6	409,770	3.39	2.43
Privately Insured	6	225,959	3.43	1.08
USDA/RD Guaranteed	16	1,006,127	3.86	(5)
Uninsured	1	12,988	0.39	(5)
TOTAL	227	$14,319,495[2]		

(1) Rounded figures.
(2) Rounded total,
(3) MBA data for Tennessee for the quarter ending September 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.73%, based on a total of 5,998 Program Loans as of September 30, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2014, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	36	$2,303,353	0.72%	1.82%[4]
VA Guaranteed	2	155,181	1.13	1.12
Privately Insured	5	276,355	2.86	0.52
USDA/RD Guaranteed	1	69,373	0.24	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	44	$2,804,262[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended September 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of June 30, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.44%, based on a total of 5,621 Program Loans as of June 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	69	$4,588,912	1.50%	1.42%[4]
VA Guaranteed	2	187,584	1.22	0.90
Privately Insured	2	102,851	1.08	0.56
USDA/RD Guaranteed	8	357,315	1.90	[5]
Uninsured	0	0.00	0.00	[5]
TOTAL	81	$5,236,662[2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending June 30, 2014.

(4) FHA fixed rate mortgage loans

(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.52%, based on a total of 5,621 Program Loans as of June 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	171	$10,164,516	3.72%	3.80%[4]
VA Guaranteed	6	371,804	3.66	2.44
Privately Insured	6	371,946	3.24	1.10
USDA/RD Guaranteed	13	776,805	3.10	[5]
Uninsured	2	72,367	0.78	[5]
TOTAL	198	$11,757,438[2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending June 30, 2014.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.14%, based on a total of 5,621 Program Loans as of June 30, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2014, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	53	$3,067,450	1.15%	1.91%[4]
VA Guaranteed	3	193,904	1.83	1.19
Privately Insured	5	276,914	2.70	0.52
USDA/RD Guaranteed	3	160,026	0.71	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	64	$3,698,294[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 0.94%, based on a total of 3,917 Program Loans as of March 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% by Loan Type**
FHA Insured	30	$2,063,780	0.93%	1.37%[4]
VA Guaranteed	2	190,107	2.41	0.88
Privately Insured	2	182,841	1.35	0.52
USDA/RD Guaranteed	3	273,249	1.35	(5)
Uninsured	0	0	0.00	(5)
TOTAL	37	$2,709,977[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 2.32%, based on a total of 3,917 Program Loans as of March 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	78	$4,928,750	2.41%	3.97%[4]
VA Guaranteed	2	200,276	2.41	2.49
Privately Insured	5	460,499	3.38	1.11
USDA/RD Guaranteed	5	467,458	2.24	[5]
Uninsured	1	59,154	0.45	[5]
TOTAL	91	$6,116,137[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.20%, based on a total of 3,917 Program Loans as of March 31, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of March 31, 2014 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2014, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% by Loan Type
FHA Insured	42	$2,461,925	1.30%	1.96%[4]
VA Guaranteed	1	38,722	1.20	1.20
Privately Insured	2	119,385	1.35	0.55
USDA/RD Guaranteed	2	131,695	0.90	[5]
Uninsured	0	0.00	0.00	[5]
TOTAL	47	$2,751,727[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Tennessee Housing
Development Agency

NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing federal laws and assuming continuing compliance by THDA with federal tax law requirements, interest on the Issue 2015-2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that (i) interest on the Issue 2015-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (ii) interest on the Issue 2015-2B Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (iii) interest on the Issue 2015-2B Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"). In addition, Bond Counsel is of the opinion that, under existing laws of the State of Tennessee, the interest on the Issue 2015-2 Bonds is exempt from the income tax imposed by the State of Tennessee on interest income; however, the Issue 2015-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee. See "TAX MATTERS" herein.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Residential Finance Program Bonds
$43,070,000 Issue 2015-2A (AMT)
$131,930,000 Issue 2015-2B (Non-AMT)†

Dated: Date of Delivery **Due: As shown on inside front cover**

The Issue 2015-2A Bonds (the "Issue 2015-2A Bonds") and the Issue 2015-2B Bonds (the "Issue 2015-2B Bonds" and, together with the Issue 2015-2A Bonds, the "Issue 2015-2 Bonds" or the "Offered Bonds") are being issued only as fully registered bonds without coupons in book-entry form and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Offered Bonds will be made. So long as Cede & Co. or another nominee of DTC is the registered owner of the Offered Bonds, payments of the principal of, premium, if any, and interest on the Offered Bonds will be made directly to DTC. Disbursement of such payments to DTC's Direct Participants (as herein defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as herein defined) is the responsibility of the Direct Participants and Indirect Participants (as herein defined). Beneficial Owners of the Offered Bonds will not receive physical delivery of bond certificates. See Appendix G "BOOK-ENTRY-ONLY SYSTEM." The Offered Bonds will be issued in denominations of $5,000 and integral multiples thereof. Interest on the Offered Bonds accrues from the dated date of the Offered Bonds and is payable on January 1, 2016, and semi-annually on each January 1 and July 1 thereafter, as more fully described herein. The Record Date for payment of interest on the Offered Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

The Offered Bonds are subject to redemption prior to their stated maturities at the times, at the redemption prices and under the conditions set forth under the caption "DESCRIPTION OF OFFERED BONDS."

The Offered Bonds are special limited obligations of the Tennessee Housing Development Agency ("THDA") payable only from the revenues and assets of THDA pledged under the Resolution (as defined herein) for the payment of the principal or redemption price of and interest on Offered Bonds.

THDA has no taxing power. The Offered Bonds are not a debt, liability or obligation of the State of Tennessee (the "State") or any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, are pledged for the payment of the principal of or interest on the Offered Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Offered Bonds are being offered when, as and if issued by THDA, subject to delivery of the opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York, and certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller. It is expected that the Offered Bonds will be available for book-entry delivery through DTC on or about October 15, 2015.

RAYMOND JAMES

CITIGROUP **RBC CAPITAL MARKETS**

FTN FINANCIAL CAPITAL MARKETS **J.P. MORGAN**

J.J.B. HILLIARD, W.L. LYONS, LLC **WELLS FARGO SECURITIES**

September 23, 2015

†Interest on the Issue 2015-2B Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

TENNESSEE HOUSING DEVELOPMENT AGENCY
RESIDENTIAL FINANCE PROGRAM BONDS

Maturities, Amounts, Interest Rates and Prices

$43,070,000 Issue 2015-2A (AMT)

$43,070,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
January 1, 2046 (PAC)	$43,070,000	4.000%	880461GG7

$131,930,000 Issue 2015-2B (Non-AMT)†

$70,580,000 Serial Bonds

Year	Principal Amount Due January 1	Interest Rate	CUSIP Number[1]	Principal Amount Due July 1	Interest Rate	CUSIP Number[1]
2016				$1,615,000	0.400%	880461GH5
2017	$2,135,000	0.600%	880461GX0	2,140,000	0.800	880461GJ1
2018	2,150,000	1.000	880461GY8	2,165,000	1.100	880461GK8
2019	2,175,000	1.375	880461GZ5	2,195,000	1.500	880461GL6
2020	2,210,000	1.700	880461HA9	2,230,000	1.800	880461GM4
2021	2,250,000	2.000	880461HB7	2,275,000	2.150	880461GN2
2022	2,300,000	2.300	880461HC5	2,330,000	2.375	880461GP7
2023	2,360,000	2.500	880461HD3	2,390,000	2.600	880461GQ5
2024	2,425,000	2.700	880461HE1	2,455,000	2.700	880461GR3
2025	2,490,000	2.850	880461HF8	2,530,000	2.900	880461GS1
2026	2,570,000	3.000	880461HG6	2,610,000	3.050	880461GT9
2027	2,650,000	3.150	880461HH4	2,695,000	3.200	880461GU6
2028	2,735,000	3.300	880461HL5	2,790,000	3.300	880461HM3
2029	2,845,000	3.450	880461HN1	2,900,000	3.450	880461HP6
2030	2,955,000	3.550	880461HQ4	3,010,000	3.550	880461GV4

$61,350,000 Term Bonds

Maturity Date	Principal Amount Due	Interest Rate	CUSIP Number[1]
July 1, 2035	$33,655,000	3.875%	880461GW2
January 1, 2038	15,195,000	3.950	880461HJ0
January 1, 2046 (PAC)	12,500,000	4.000	880461HK7

PRICE OF ISSUE 2015-2A BONDS DUE JANUARY 1, 2046 (PAC): 107.136%

PRICE OF ISSUE 2015-2B BONDS DUE JANUARY 1, 2046 (PAC): 107.967%

PRICE OF ALL REMAINING ISSUE 2015-2 BONDS: 100.000%

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[1] The CUSIP Numbers have been assigned to this issue by an organization not affiliated with THDA and are included solely for the convenience of the bondholders. Neither THDA nor the Underwriters shall be responsible for the selection or use of these CUSIP Numbers nor is any representation made as to their correctness on the bonds or as indicated herein.

†Interest on the Issue 2015-2B Bonds <u>is not</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement (this "Official Statement"), in connection with the offering of the Offered Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by THDA or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Offered Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by THDA and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by THDA, is not to be construed as a representation of THDA. The Underwriters have included the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors of the Offered Bonds under the federal securities laws as applied to the facts and circumstances of the offering of the Offered Bonds, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of THDA since the date hereof. The Offered Bonds may be offered and sold by the Underwriters to certain dealers at prices lower than the initial public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Underwriters.

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS WHICH MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS. SUCH ACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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$43,070,000 Issue 2015-2A (AMT)

$131,930,000 Issue 2015-2B (Non-AMT)†

INTRODUCTION

This Official Statement (the "Official Statement") provides certain information in connection with the issuance by the Tennessee Housing Development Agency ("THDA") of its Residential Finance Program Bonds, Issue 2015-2A in the aggregate principal amount of $43,070,000 (the "Issue 2015-2A Bonds") and Issue 2015-2B in the aggregate principal amount of $131,930,000 (the "Issue 2015-2B Bonds" and, together with the Issue 2015-2A Bonds, the "Issue 2015-2 Bonds" or the "Offered Bonds").

THDA is authorized to issue and sell its bonds and to conduct its other activities by Tennessee Code Annotated Sections 13-23-101 et seq., as amended (the "Act"). The issuance and sale of the Offered Bonds is authorized by the General Residential Finance Program Bond Resolution, adopted by THDA on January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 28, 2015, as amended and supplemented by the Bond Finance Committee of THDA (the "Bond Finance Committee") on September 23, 2015 (the "Issue 2015-2 Supplemental Resolution"). The General Resolution and the Issue 2015-2 Supplemental Resolution are herein collectively referred to as the "Resolution."

The Act requires submission to the Bond Finance Committee of THDA, which consists of the Chairman of THDA and the Comptroller of the Treasury of the State of Tennessee, the Secretary of State of the State of Tennessee, the State Treasurer of the State of Tennessee, and the Commissioner of Finance and Administration of the State of Tennessee, of a plan of financing pertaining to the sale of any bonds or notes by THDA and to request that the Bond Finance Committee sell such bonds or notes on behalf of THDA, under the terms and conditions set forth in the Act. The Bond Finance Committee approved the plan of financing with respect to Issue 2015-2 Bonds on July 27, 2015.

The Act does not permit THDA to have outstanding bonds and notes in an aggregate principal amount exceeding $2,930,000,000, excluding bonds and notes which have been refunded. As of July 31, 2015 (unaudited), Bonds in the aggregate principal amount of $719,660,000 were outstanding under the General Resolution, bonds in the aggregate principal amount of $703,170,000 were outstanding under THDA's Homeownership Program Resolution (the "1985 General Resolution"), and bonds in the aggregate principal amount of $463,960,000 were outstanding under THDA's Housing Finance Program Resolution (the "2009 General Resolution"). As of July 31, 2015, no bonds were outstanding under THDA's Housing Bond Resolution (Mortgage Finance Program) (the "1974 General Resolution"). All assets under the 1974 General Resolution have been transferred to the General Resolution. For more information see "RESIDENTIAL FINANCE PROGRAM LOANS-Description of Residential Finance Programs Loans-Transfer of Assets".

Bonds issued under the General Resolution, including the Offered Bonds, are and will be special limited obligations of THDA, payable solely from the revenues and assets of THDA pledged under the General Resolution for the payment of the principal and redemption price thereof and the interest thereon, including the Bond Reserve Fund established pursuant to the General Resolution, as more fully described herein under the caption "SECURITY AND SOURCES OF PAYMENT OF BONDS". All bonds issued under the General Resolution, including the Offered Bonds, are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the Offered Bonds, are sometimes referred to herein as the "Bonds". The security interest created by the pledge of the General Resolution is governed by Tennessee Code Annotated Sections 9-22-101 et seq., as amended, relating to the perfection, priority and enforcement of public pledges and liens (the "Public Pledge Act"). Security interests governed under the Public Pledge Act are expressly exempt from Tennessee's codification of Article 9 of the Uniform Commercial Code.

† Interest on the Issue 2015-2B Bonds is not included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

The revenues and assets of THDA pledged under the General Resolution are not pledged as security for bonds under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. The revenues and assets of THDA pledged under the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution, respectively, are not pledged as security for Bonds issued under the General Resolution including the Offered Bonds. See Appendix F for descriptions of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution.

THDA may, in the future, elect to issue bonds under the General Resolution or under the 1974 General Resolution, the 1985 General Resolution and/or the 2009 General Resolution. No assurances can be given as to whether THDA may elect to issue bonds under any one of the referenced general resolutions in the future or which of the referenced general resolutions may be selected. Any mortgage loans and investments financed with the proceeds of any new bonds issued under any of the referenced general resolutions, except for the General Resolution, and the revenues therefrom will not be pledged to the payment of Bonds under the General Resolution, including the Offered Bonds.

THDA has no taxing power. The Bonds are not a debt, liability or obligation of the State or of any political subdivision thereof except THDA. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof is pledged for the payment of principal or interest on the Bonds.

THDA expects to use the proceeds from the issuance of the Issue 2015-2A Bonds to (i) refund all Issue 2006-1 Bonds and Issue 2006-2 Bonds issued and outstanding under the 1985 General Resolution (the "Prior Bonds") and (ii) make a deposit to the Bond Reserve Fund. As a result of the refunding, mortgage loans previously allocable to the Prior Bonds in an expected aggregate outstanding amount of approximately $47,197,150 will be allocated to the Offered Bonds (the "Transferred Program Loans"). See "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS" for information about the Transferred Program Loans. In addition, other investments allocable to the Prior Bonds in the projected amount of approximately $1,028,090 will be transferred to accounts established for the Offered Bonds under the General Resolution (the "Transferred Investments"). It is anticipated that the Prior Bonds will be redeemed prior to maturity on January 1, 2016, at a redemption price of 100% of the principal amount thereof plus accrued interest. No assurance can be provided that the Prior Bonds will actually be refunded.

THDA expects that the proceeds of the Issue 2015-2B Bonds will be used to: (i) finance first lien single-family Program Loans (or participations therein) for single-family, owner-occupied housing (one to four dwelling units); (ii) pay capitalized interest, if any; (iii) pay Costs of Issuance, Underwriters' Fees and other transaction costs; and (iv) make a deposit to the Bond Reserve Fund, if required. See "APPLICATION OF BOND PROCEEDS." The terms and conditions of Program Loans, including Program Loans financed with amounts made available by the issuance of the Offered Bonds, are described herein under the caption "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" and in Appendix H.

THDA is in the process of implementing a program for the origination of conventional mortgage loans to be pooled into mortgage-backed securities guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association ("Fannie Mae" and "Fannie Mae Securities"). This program, if fully implemented, could result in use of bond proceeds to purchase Fannie Mae Securities to be held as Program Securities under the General Resolution. THDA may use a portion of the proceeds of the Offered Bonds to purchase Fannie Mae Securities although no assurances can be provided that THDA will do so. See Appendix C for additional information regarding Fannie Mae and Fannie Mae Securities.

As used herein, the term "Program Loans" refers to all mortgage loans (including participations therein) financed under the General Resolution, including the Transferred Program Loans and mortgage loans (including participations therein) to be financed with proceeds of the Offered Bonds, and the phrase "Program Loans allocable to (or allocated to) the Offered Bonds" shall include the Transferred Program Loans as well as any new Program Loans (including participations therein) financed with the proceeds of the Offered Bonds.

All Program Loans, or participations therein, to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the then existing Program Loan Procedures of THDA. The current Program Loan Procedures are described or otherwise referred to in Appendix H. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program

Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2015-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple in real property located in the State. THDA intends to purchase Program Loans insured by private mortgage insurance only to the extent such Program Loans are pooled into Fannie Mae Securities. While the 2015-2 Supplemental Resolution provides that all Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Currently, THDA's Program Loan portfolio under the General Resolution includes only first-lien, fixed-interest rate, single-family Program Loans with equal monthly installments of principal and interest. As of July 31, 2015 (unaudited), 7,966 Program Loans were outstanding under the General Resolution having an aggregate outstanding principal balance of approximately $698,852,622. Based on the outstanding principal balance of Program Loans as of July 31, 2015, approximately 88.35% were FHA insured, approximately 2.55% were VA guaranteed, approximately 1.66% were insured by private mortgage insurance companies, approximately 4.72% were guaranteed by United States Department of Agriculture, Rural Development ("USDA/RD"), and approximately 2.73% were uninsured (i.e. Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing, or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, or Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance). See "RESIDENTIAL FINANCE PROGRAM LOANS – Residential Finance Program Portfolio Data" and Appendix B under the heading "Private Mortgage Insurance Programs".

U.S. Bank National Association (the "Trustee") is trustee and paying agent for all Bonds issued under the General Resolution.

A brief description of the Offered Bonds, THDA and its Program Loans follows, together with summaries of the terms of the Bonds, and certain provisions of the Act, the General Resolution, the Issue 2015-2 Supplemental Resolution and other activities of THDA. Such summaries do not purport to be complete and all such summaries and references to the Act and the Issue 2015-2 Supplemental Resolution are qualified in their entirety by reference to each such document, copies of which are available from THDA or the Trustee. The General Resolution is attached hereto as Appendix E "2013 GENERAL RESOLUTION". **Certain capitalized terms utilized herein are defined in Appendix E hereto.**

DESCRIPTION OF OFFERED BONDS

General

The Offered Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount and any integral multiple thereof and will be available in book-entry only form. Purchasers of Offered Bonds will not receive certificates representing their interest in the Offered Bonds. The Depository Trust Company, ("DTC"), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered certificated bond, without coupons, for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, will be registered in the name of Cede & Co., as nominee for DTC, and deposited with DTC via the FAST system. See Appendix G "BOOK-ENTRY-ONLY SYSTEM" for a description of the DTC book-entry only system.

The Offered Bonds will mature on the dates and bear interest from the date of delivery at the rates indicated on the inside front cover page of this Official Statement. Interest on the Offered Bonds accrues from the dated date of the Issue 2015-2 Bonds and is payable on January 1, 2016, and semi-annually on each January 1 and July 1 thereafter on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions for Offered Bonds

Sinking Fund Redemption

The Issue 2015-2A Bonds maturing on January 1, 2046, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2038, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-2A
PAC Term Bonds Due January 1, 2046

Year	Amount Due January 1	Amount Due July 1
2038		$2,310,000
2039	$2,355,000	2,405,000
2040	2,455,000	2,505,000
2041	2,550,000	2,600,000
2042	2,655,000	2,710,000
2043	2,760,000	2,820,000
2044	2,870,000	2,930,000
2045	2,990,000	3,045,000
2046	3,110,000 (maturity)	

The Issue 2015-2B Bonds maturing on July 1, 2035, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2031, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-2B
Term Bonds Due July 1, 2035

Year	Amount Due January 1	Amount Due July 1
2031	$3,070,000	$3,130,000
2032	3,195,000	3,260,000
2033	3,325,000	3,395,000
2034	3,460,000	3,535,000
2035	3,605,000	3,680,000 (maturity)

The Issue 2015-2B Bonds maturing on January 1, 2038, are subject to redemption in part by lot on each January 1 and July 1 beginning January 1, 2036, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-2B
Term Bonds Due January 1, 2038

Year	Amount Due January 1	Amount Due July 1
2036	$3,755,000	$3,810,000
2037	3,135,000	2,225,000
2038	2,270,000 (maturity)	

The Issue 2015-2B Bonds maturing on January 1, 2046, are subject to redemption in part by lot on each January 1 and July 1 beginning July 1, 2038, at a redemption price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amount for each of the dates set forth below:

Sinking Fund Payments for Issue 2015-2B
PAC Term Bonds Due January 1, 2046

Year	Amount Due January 1	Amount Due July 1
2038		$670,000
2039	$685,000	695,000
2040	710,000	720,000
2041	740,000	760,000
2042	770,000	785,000
2043	805,000	815,000
2044	835,000	850,000
2045	865,000	890,000
2046	905,000 (maturity)	

Optional Redemption. The Issue 2015-2 Bonds maturing on and after July 1, 2025, are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part, at any time, on or after January 1, 2025, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The Issue 2015-2A Bonds maturing January 1, 2046 (the "Issue 2015-2A PAC Bonds") and the Issue 2015-2B Bonds maturing January 1, 2046 (the "Issue 2015-2B PAC Bonds" and, together with the Issue 2015-2A PAC Bonds, the "PAC Bonds") are subject to redemption at the option of THDA prior to their maturity, either as a whole or in part, at any time on or after January 1, 2025, at the Redemption Prices set forth below (expressed as a percentage of the principal amount to be redeemed) plus accrued interest to the date of redemption:

Redemption Period	2015-2A PAC Bonds Redemption Price	2015-2B PAC Bonds Redemption Price
January 1, 2025 to June 30, 2025	101.096%	101.217%
July 1, 2025 to December 31, 2025	100.766	100.851
January 1, 2026 and thereafter	100.000	100.000

Special Mandatory Redemption of PAC Bonds. The PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2015-2 Principal Payments (as defined below). Any Excess 2015-2 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of PAC Bonds on any Interest Payment Date commencing July 1, 2016; provided, however, PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any PAC Bonds remain Outstanding, Excess 2015-2 Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Offered Bonds are equal to or less than 400% PSA (as defined below under "ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds"), as determined by THDA, then available Excess 2015-2 Principal Payments shall first be applied to redeem PAC Bonds on a pro rata basis up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, other than the PAC Bonds; and

SECOND, if principal prepayments on the Program Loans allocable to the Offered Bonds are in excess of 400% PSA, as determined by THDA, then available Excess 2015-2 Principal Payments up to an amount correlating to the Planned Amortization Amount (as defined below) for the related PAC Bonds shall first be applied to redeem PAC Bonds on a pro rata basis and, subject to the application of the 10-year rule as described below under the heading "*–Mandatory Redemption – 10 Year Rule*," the remainder may be applied to any purpose permissible under the Resolution, including to redeem any Bonds issued under the Resolution, including the PAC Bonds (any such remainder used to redeem PAC Bonds being an “Excess Principal PAC Bond Redemption”); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of the available Excess 2015-2 Principal Payments which is in excess of 400% PSA, (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the then Outstanding PAC Bonds’ proportionate amount of all Issue 2015-2 Bonds then Outstanding, and (iii) the PAC Bonds shall be redeemed on a pro rata basis.

“Excess 2015-2 Principal Payments” means, as of any date of computation, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Offered Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Offered Bonds.

“Planned Amortization Amount” means the dollar amount applicable to each PAC Bond for each Interest Payment Date set forth below. The Planned Amortization Amount represents the cumulative principal amount of the Issue 2015-2A PAC Bonds and Issue 2015-2B PAC Bonds, respectively, assumed to be redeemed from Excess 2015-2 Principal Payments as of a particular Interest Payment Date based on receipt of principal prepayments at a 100% PSA prepayment rate for Program Loans allocable to the Offered Bonds. See “ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds” for a description of PSA prepayment rates.

The Planned Amortization Amounts for the Issue 2015-2A PAC Bonds and Issue 2015-2B PAC Bonds (which assumes the full origination of Program Loans with proceeds allocable to the Offered Bonds in accordance with the expected schedule for such origination, the allocation of the Transferred Program Loans to the Offered Bonds in an aggregate principal amount of approximately $47,197,150 with an approximate weighted average maturity of 251 months, and receipt of principal prepayments on the Program Loans allocable to the Offered Bonds at a rate equal to 100% of the PSA prepayment rate), as of each payment date are set forth below:

PAC Bonds Planned Amortization Schedules

Date	Issue 2015-2A PAC Bonds Planned Amortization Amount	Issue 2015-2B PAC Bonds Planned Amortization Amount
July 1, 2016	$ 1,490,000	$ 430 000
January 1, 2017	3,055,000	880,000
July 1, 2017	5,155,000	1,490,000
January 1, 2018	7,770,000	2,245,000
July 1, 2018	10,835,000	3,140,000
January 1, 2019	14,095,000	4,085,000
July 1, 2019	17,200,000	4,990,000
January 1, 2020	20,140,000	5,840,000
July 1, 2020	22,910,000	6,645,000
January 1, 2021	25,525,000	7,400,000
July 1, 2021	27,970,000	8,115,000
January 1, 2022	30,260,000	8,780,000
July 1, 2022	32,390,000	9,400,000
January 1, 2023	34,370,000	9,975,000
July 1, 2023	36,205,000	10,505,000
January 1, 2024	37,895,000	10,990,000
July 1, 2024	39,435,000	11,440,000
January 1, 2025	40,835,000	11,845,000
July 1, 2025	42,095,000	12,215,000
January 1, 2026	43,070,000	12,500,000

Each Planned Amortization Amount, as set forth in the table above, is subject to proportionate reduction to the extent the related PAC Bonds are redeemed from amounts on deposit in the Issue 2015-2 Bonds Subaccount of the Loan Fund not applied to finance Program Loans.

For a description of the impact on the weighted average life of the PAC Bonds on the receipt of prepayments on the Program Loans allocable to the Offered Bonds at various speeds, see “ASSUMPTIONS REGARDING OFFERED BONDS – Average Life of PAC Bonds.”

Special Optional Redemption of the Offered Bonds, including Cross Calls The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part, at any time prior to maturity, in accordance with the provisions of the Resolution, and in an amount equal to amounts available for such purposes from (i) proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans as described below under the heading "DESCRIPTION OF OFFERED BONDS – Redemption of Offered Bonds from Unexpended Proceeds"; (ii) except as otherwise described under the headings "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds", and " – Mandatory Redemption – 10 Year Rule", repayments and prepayments of Program Loans allocated to the Offered Bonds in excess of regularly scheduled debt service payments on the Offered Bonds; (iii) repayments and prepayments of Program Loans financed with the proceeds of any other Bonds issued under the Resolution, subject to limitations contained in the Internal Revenue Code of 1986, as amended (the, "Code"), (iv) other amounts on deposit in the Revenue Fund of the Resolution in excess of the amounts then required for the payment of Debt Service and Program Expenses, and (v) amounts on deposit in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement; provided, however, that PAC Bonds (a) are only subject to redemption under clause (ii) above as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds", (b) shall not be subject to redemption as described in clauses (iii), (iv) and (v) above if such redemption would cause amortization of the PAC Bond to exceed the related Planned Amortization Amount shown above in the PAC Bonds Amortization Schedules and (c) shall be redeemed on a pro rata basis to the extent of any such special optional redemption. The Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix E "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans.

The date of redemption shall be determined by the Trustee upon the direction of THDA, subject to the provisions of and in accordance with the Resolution. The Offered Bonds to be so redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the redemption price of the PAC Bonds in the event of a redemption described in clause (i) of the preceding paragraph shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be so redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amount of all Offered Bonds then Outstanding in the event of a redemption pursuant to clause (i) of the preceding paragraph and, to the extent PAC Bonds are redeemed pursuant to any special optional redemption, the PAC Bonds shall be redeemed on a pro rata basis. See "ASSUMPTIONS REGARDING OFFERED BONDS – Prepayments" and "ASSUMPTIONS REGARDING OFFERED BONDS – THDA Redemption Practices".

Mandatory Redemption – 10 Year Rule. To the extent not required to make regularly scheduled principal payments on the Offered Bonds (including Sinking Fund Payments) or otherwise required to be applied to the redemption of the PAC Bonds, repayments and prepayments of principal of the Program Loans or portions thereof allocable to the Offered Bonds shall be applied to redeem Offered Bonds in such principal amounts as are required to satisfy the requirements of the Code. The redemption price of Offered Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable. Subject to the redemption procedures under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," the Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may be redeemed in an amount that exceeds the related Planned Amortization Amount shown above in the PAC Bonds Planned Amortization Schedules only if there are no other Offered Bonds outstanding and if the PAC Bonds are to be redeemed pursuant to this paragraph, the PAC Bonds shall be redeemed on a pro rata basis.

THDA will, to the extent required by the Code, redeem Offered Bonds from prepayments and repayments on the Program Loans (or portions thereof) allocable to the Offered Bonds in accordance with the following approximate 10 year rule percentages to the extent such amounts are not otherwise applied to pay maturing principal on the Offered Bonds, to redeem Offered Bonds from Sinking Fund Payments or to redeem PAC Bonds:

Commencement Date	% Prepayments and Repayments Applied to Payment or Redemption
October 15, 2015	24.60%
July 27, 2016	26.35
October 15, 2025	100.00

THDA will redeem the Offered Bonds in accordance with this schedule to the extent required to comply with the Code. THDA reserves the right to modify this schedule at any time to the extent the Code permits or requires such modification.

Redemption of Offered Bonds from Unexpended Proceeds. The Offered Bonds are subject to redemption, at the election of THDA, in whole or in part on any date, from proceeds of the Offered Bonds not expected to be applied to the financing of Program Loans (or participations therein). In addition, the Offered Bonds are subject to mandatory redemption on July 1, 2016, in the event and to the extent that there are unexpended proceeds of the Offered Bonds on deposit in the Issue 2015-2 Bonds Subaccount of the Loan Fund on June 1, 2016, provided that such redemption date may be extended, at the option of THDA, and subject to the satisfaction of the conditions set forth in the Issue 2015-2 Supplemental Resolution, including without limitation, provision of a Projected Cash Flow Statement.

Notwithstanding any extension of the redemption date described above, in order to satisfy requirements of the Code, the Offered Bonds are subject to mandatory redemption on April 1, 2019, to the extent any amounts remain on deposit in the Issue 2015-2 Bonds Subaccount of the Loan Fund on March 1, 2019.

Offered Bonds to be redeemed from the unexpended proceeds shall be redeemed at a redemption price of 100% of the principal amount thereof, plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price of the PAC Bonds shall be the issue price thereof (par plus initial premium) plus accrued interest to the redemption date. The Offered Bonds to be redeemed shall be selected by THDA in its sole discretion; provided, however, that the PAC Bonds may not be redeemed in amounts in excess of their proportionate amounts of all Offered Bonds then Outstanding and, to the extent PAC Bonds are redeemed, the PAC Bonds shall be redeemed on a pro rata basis.

Selection By Lot

If less than all of the Issue 2015-2 Bonds of like series and maturity are to be redeemed, the particular Issue 2015-2 Bonds of such series and maturity to be redeemed shall be selected by lot in accordance with the General Resolution.

Notice of Redemption

When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds and when redemption of Bonds is required by the Resolution, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth, in summary terms, the conditions precedent to such redemption and that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

APPLICATION OF BOND PROCEEDS

Proceeds from the issuance and sale of the Issue 2015-2 Bonds will be credited or applied as set forth below:

SOURCES	
Par Amount of the Offered Bonds	$ 175,000,000.00
Premium on Issue 2015-2A PAC Bond	3,073,475.20
Premium on Issue 2015-2B PAC Bond	995,875.00
Transferred Program Loans	47,197,149.53
Transferred Investments	1,028,089.74
THDA Contribution	1,845,174.67
TOTAL SOURCES	$ 229,139,764.14
USES	
Deposit to Loan Fund(1)	$ 179,127,149.53
Redemption of Prior Bonds	43,070,000.00
Deposit to Debt Service & Expense Account of the Revenue Fund	1,300,000.00
Deposit to Bond Reserve Fund	4,345,724.75
Costs of Issuance	253,300.00
Underwriters' Fee	1,043,589.86
TOTAL USES	$ 229,139,764.14

(1) Includes $131,930,000 in proceeds from Issue 2015-2B plus $47,197,149.53 in Transferred Program Loans.

SECURITY AND SOURCES OF PAYMENT OF BONDS

Security of Bonds and Sources of Payment

The Bonds are special limited obligations of THDA payable solely from the revenues and assets of THDA pledged under the General Resolution. Subject only to the provisions of the General Resolution permitting the application of certain monies for the purposes and under the terms set forth therein, and to the payment to the Trustee and the Paying Agents and depositories of compensation for their services and expenses, such Bonds are secured equally and ratably by a pledge of the following:

(a) Revenues, which include scheduled, delinquent and advance payments of principal of and interest on Program Loans made pursuant to the General Resolution (less the amount thereof retained by the servicers as compensation for services rendered in connection with the Program Loans and for other payments, including those for guaranty or insurance of Program Loans and for taxes, assessments and insurance premiums) and the net income, if any, derived by THDA from premises owned by THDA as a result of action taken in the event of a default on a Program Loan;

(b) Non-Mortgage Receipts, which includes all interest earned or gain realized in excess of losses from investment of the amount in any Fund or Account established under the General Resolution;

(c) All Funds and Accounts created by the General Resolution, including the Bond Reserve Fund, and monies and securities therein (see Appendix E "2013 GENERAL RESOLUTION"); and

(d) All right, title and interest of THDA in and to the Program Loans made or purchased pursuant to the General Resolution.

THDA has no taxing power. The Bonds do not constitute a debt, liability or obligation of the State or any other political subdivision thereof (except THDA). Neither the full faith and credit nor taxing power of the State or of any other political subdivision thereof is pledged for the payment of the principal of, redemption price or interest on the Bonds. The Bonds are payable solely from the funds provided therefor pursuant to the General Resolution.

Bond Reserve Fund

The Act authorizes THDA to establish one or more reserve funds. THDA has established a Bond Reserve Fund for the Bonds and the General Resolution provides that THDA may not issue any Bond unless the amount in the Bond Reserve Fund is at least equal to the "Bond Reserve Fund Requirement." The Bond Reserve Fund Requirement is the greater of (i) an amount equal to the aggregate of the respective amounts for each series of Bonds established in the Supplemental Resolution authorizing such series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any other amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities. On the date of issuance of the Offered Bonds, the Bond Reserve Fund will contain an amount at least equal to the Bond Reserve Fund Requirement. The Resolution requires that if, on any Interest Payment Date or Redemption Date, there is not a sufficient amount available in the Revenue Fund and the Redemption Fund, if applicable, to provide for interest or principal and sinking fund installments maturing and becoming due on the Bonds, the Trustee must transfer the amount of the deficiency from the Bond Reserve Fund to the extent necessary to make good the deficiency.

Additional Bonds

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds, when issued, shall, with the Offered Bonds and other outstanding bonds, be entitled to the equal benefit, protection, and security of the provisions, covenants and agreements of the General Resolution, except as otherwise described herein.

ASSUMPTIONS REGARDING OFFERED BONDS

General

The General Resolution requires THDA to file Projected Cash Flow Statements with the Trustee periodically in connection with various actions THDA may take pursuant to the General Resolution including, without limitation, the issuance of Bonds. (See Appendix E "2013 GENERAL RESOLUTION" for a description of Projected Cash Flow Statements and the circumstances under which they are required.) A Projected Cash Flow Statement meets the requirements of the General Resolution if it shows that sufficient amounts will be available under the General Resolution to pay Debt Service on Bonds Outstanding under the General Resolution, including the Offered Bonds, and Program Expenses and that the amount of all assets held under the General Resolution equals or exceeds the total liability of all Bonds Outstanding under the General Resolution. In connection with the preparation of Projected Cash Flow Statements, THDA makes certain assumptions concerning revenues derived from Program Loans, Program Expenses, rate and amount of prepayments, earnings on investments, rate of origination of Program Loans, and Bond redemptions.

It is a condition to the issuance of the Offered Bonds that THDA shall have prepared and filed a Projected Cash Flow Statement (the "Projected Cash Flow Statement"). The Projected Cash Flow Statement will be based, among other assumptions, on the assumptions that (i) Transferred Program Loans in the aggregate principal amount of approximately $47,197,150, with a weighted average maturity of approximately 251 months and a weighted average interest rate of approximately 5.79%, will be allocated to the Offered Bonds and (ii) THDA originates approximately $131,930,000 of thirty year Program Loans (or participations therein) bearing interest at a weighted average interest rate of approximately 3.98%. The Projected Cash Flow Statement shall evidence that, upon the issuance of the Offered Bonds, sufficient amounts will be available under the General Resolution to pay Debt Service for all Bonds Outstanding, including the Offered Bonds. THDA believes the assumptions to be used in connection with the preparation of the Projected Cash Flow Statement are reasonable. THDA cannot, however, guarantee that actual results will not vary materially from such assumptions. If subsequent events do not correspond to such assumptions, the amount of Revenues available to make payments of principal and interest on the Bonds, including the Offered Bonds, when scheduled, may be adversely affected and the expected life of the Offered Bonds may be affected.

Payments of Principal and Interest on the Bonds

The Projected Cash Flow Statement assumes that payments of principal and interest on the Offered Bonds will be made, when scheduled, from scheduled payments and prepayments of principal and interest on the Program Loans (or portions thereof) allocable to the Offered Bonds and from other moneys available under the Resolution including, without limitation, income expected to be derived from the investment of monies in the funds and accounts established under the Resolution. For purposes of preparing the Projected Cash Flow Statement, it has been assumed that scheduled payments of principal and interest on the Program Loans will be received 29 days from the date on which they are due. Such sources of available monies may be insufficient to make such payments in the event that (i) regularly scheduled payments on Program Loans are not made on a timely basis in accordance with their terms, (ii) THDA incurs uninsured losses in connection with the foreclosure of Program Loans or insured losses which the insurer does not pay, (iii) THDA is not able to finance Program Loans in accordance with its expectations, (iv) actual investment rates on Investment Securities are less than those assumed, or (v) prepayments are not received as anticipated to the extent the Projected Cash Flow Statement was based on an assumed level of prepayments.

Program Loans

Certain moneys made available from the issuance of the Offered Bonds will be deposited in the Issue 2015-2 Bond Subaccount of the Loan Fund and will be used to continue THDA's program of financing Program Loans for single family, owner occupied residential housing for low and moderate income persons and families. Although THDA may use amounts made available as a result of the issuance of Offered Bonds to finance Great Choice Program Loans, New Start Program Loans, and Homeownership for the Brave Program Loans, THDA does not expect to use proceeds of the Offered Bonds to make New Start Program Loans. In addition, THDA may use amounts made available from the issuance of the Offered Bonds to finance Program Loans on a blended basis with proceeds of other bonds of THDA, including participation interests bearing interest at 0% in order to satisfy mortgage yield limitations of the Code. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans" for descriptions of the various Program Loan products and Appendix H "RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES" for more information about specific program requirements.

Program Loans are made on a continuing, first-come, first served basis by Originating Agents approved by THDA. The Projected Cash Flow Statement assumes that Program Loans (or participations therein) financed with the proceeds of the Issue 2015-2B Bonds will be first-lien, thirty-year, fixed-rate mortgages, with equal monthly installments of principal and interest bearing interest at a weighted average of 3.98% and that Program Loans purchased by THDA from Originating Agents will be purchased at par.

THDA's general policy is to maintain a steadily available supply of funds to finance program loans at competitive interest rates. THDA generally establishes interest rates for its program loans in connection with the sale of bonds by taking into account the maximum permitted interest rate under the Code and the spread between that rate and the then prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. THDA prefers to maintain the same interest rates throughout the period of origination of program loans for each issue of bonds; however, THDA regularly reviews these interest rates in light of market conditions and retains the flexibility to modify its interest rates to meet changing needs and conditions. No assumptions can be made regarding the length of time an interest rate set by THDA will remain available or what effect a particular interest rate will have on the origination of Program Loans.

Nonorigination of Program Loans

While THDA retains the flexibility to modify the interest rates at which Program Loans are offered, there are circumstances under which these interest rates may not be competitive with prevailing home mortgage interest rates offered by mortgage lenders in Tennessee. Under these circumstances, it will be more difficult for THDA to originate Program Loans. The ability of THDA to finance Program Loans on a blended basis with proceeds of other bonds of THDA or otherwise may also be affected by the availability of residences that meet THDA's acquisition cost limits and the willingness of potential borrowers to assume potential federal recapture tax liability. Although THDA expects that all lendable proceeds available from the Issue 2015-2B Bonds will be used to finance Program Loans, no assurance can be given whether this will occur or the speed at which this may occur.

The last transaction that resulted in an unexpended proceeds redemption was THDA's Homeownership Program Bonds, Issue 1996-3 under the 1985 General Resolution. Notwithstanding past performance, no assurances can be given that proceeds from Issue 2015-2B Bonds will be fully expended for Program Loans.

THDA began committing Program Loans against the expected proceeds from the Offered Bonds on August 31, 2015. As of September 14, 2015, THDA has committed a total principal amount of approximately $8,727,000 of Program Loans, all of which are Great Choice Program Loans and Homeownership for the Brave Program Loans, that will be allocated to the Offered Bonds. See "RESIDENTIAL FINANCE PROGRAM LOANS – Description of Residential Finance Program Loans". Assuming successful pricing and closing of the Offered Bonds, THDA expects to reimburse itself on the day of closing for all Program Loans previously purchased, if any.

Changes in Federal or State Law

Legislation affecting the Offered Bonds and THDA's single family mortgage loans may be considered and enacted by the United States Congress or the Tennessee General Assembly. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Offered Bonds or other risks.

In recent years a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress has passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and may pass additional consumer protection and bankruptcy legislation, as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Likewise, the Tennessee General Assembly may enact consumer protection legislation relating to mortgage loan origination and servicing. The Dodd-Frank Act has not, to date, had a material adverse effect on THDA's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans; however, additional legislation, if enacted, or regulations, if promulgated to effectuate the purposes of the Dodd-Frank Act or other state or federal regulations, could have an adverse effect on THDA's activities.

A number of state regulatory authorities have taken action in recent years against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State of Tennessee could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the THDA's single-family loans could adversely affect the THDA's ability to collect amounts due on such loans and could impair the value of such loans.

Prepayments

THDA, from time to time, receives monies from (i) partial or complete prepayment of Program Loans (which is permitted, without penalty) or (ii) termination of Program Loans prior to their respective final payment date due to default, sale, condemnation or casualty loss. In addition, the Resolution permits the sale of Program Loans, including those allocated to the Offered Bonds, and application of the sale proceeds to the redemption of Bonds (see Appendix E "2013 GENERAL RESOLUTION"), subject to limitations contained in the Code; however, THDA has no current plans to sell Program Loans. The rate at which such prepayments, if any, of Program Loans (including Transferred Program Loans) will be received by THDA cannot be predicted. The actual rate of such prepayments may be influenced by a variety of economic, social and other factors, including proposed legislative and regulatory changes and there is no reliable basis for predicting the actual average life of the Program Loans. Consequently, THDA makes no assumptions or representations as to the factors that will affect the rate of prepayments, if any, or the relative importance of such factors and their potential impact on the actual average life of Program Loans and the expected life of the Offered Bonds. To the extent THDA is required or elects to redeem the Offered Bonds, it is probable that the Offered Bonds will have a shorter life than their stated maturity.

Subject to the requirements of the General Resolution, the resolutions to be adopted in connection with other series of Bonds under the General Resolution and the Code, such prepayments may (i) be required to pay regularly scheduled debt service to the extent a series of the Bonds was based upon an assumed prepayment level; (ii) be used to redeem Bonds of the related series; (iii) be used to redeem Bonds of any series; or (iv) be recycled into additional Program Loans. Further, prepayments attributable to the Program Loans financed with the proceeds of the Offered Bonds, or other Bonds, or portions thereof, may or will be applied to redeem Offered Bonds as described herein under

"DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds," "- Special Optional Redemption of the Offered Bonds, including Cross Calls" and "- Mandatory Redemption – 10-Year Rule".

THDA Redemption Practices

The Resolution specifies, and the resolutions to be adopted in connection with other series of Bonds under the General Resolution will specify, when THDA is required to redeem Bonds and when THDA may elect to redeem Bonds. See "DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds."

To the extent THDA has discretion to redeem Bonds and select the maturities and series to be redeemed, THDA's general redemption policy had been to first redeem those Bonds bearing the highest interest rate; however, due to universal cap implications and economic decisions by THDA, THDA's current general redemption policy is to call term bonds on a pro-rata basis within bond issues or to redeem the highest coupon serial bonds where doing so would reduce debt service requirements under the Resolution when possible. Adherence to either policy may be affected by a series of factors including, but not limited to, (i) certain restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) certain limitations or restrictions imposed by the Resolution and/or resolutions adopted in connection with other series of Bonds under the General Resolution including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

These factors are regularly considered in determining which Bonds may be selected for redemption. No assumptions or representations can be made as to how or which of these factors or whether any other factors will affect THDA's determination, from time to time, regarding particular Bonds selected for redemption.

Payment of Program Expenses

The General Resolution authorizes payment of all Program Expenses from the Debt Service and Expense Account of the Revenue Fund established under the Resolution, so long as the Debt Service and Expense Account and the Bond Reserve Fund contain amounts sufficient to meet the requirements of the General Resolution. See Appendix E "2013 GENERAL RESOLUTION" for a description of Program Expenses. THDA expects to use funds on deposit in the Debt Service and Expense Account of the Revenue Fund to pay Costs of Issuance, Underwriters' fees, initial Trustee's fees, and other similar costs associated with the Offered Bonds and may continue to do so in connection with future Bond issues or may pay such costs and fees from Bond proceeds in future transactions. In addition, THDA expects to pay certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure fees and expenses and other similar costs, from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from other THDA bond resolutions and from other resources available to THDA. No assurances can be provided that THDA will not withdraw funds from the General Resolution in the future to pay all Program Expenses or other operating and administrative costs and expenses. For more information about the payment of Program Expenses and other operating and administrative costs of THDA, see "THDA – THDA Funds". THDA does not currently receive funds from the State of Tennessee for operating and administrative costs and expenses.

Investment Assumptions

Estimated available investment income attributable to the Offered Bonds is calculated assuming that (i) existing Investment Securities in the Revenue Fund and the Bond Reserve Fund pay scheduled interest and principal payments until the earlier of their call date or maturity date; (ii) proceeds of Investment Securities and other receipts in the Revenue Fund are invested at 0% per annum until July 1, 2017, 0.50% per annum until July 1, 2020, 1.00% per annum until July 1, 2024, and 1.25% per annum thereafter; and (iii) funds on deposit in the Issue 2015-2 Bond Subaccount of the Loan Fund prior to origination of Program Loans, are invested at a rate of 0% per annum.

There can be no assurance that the Investment Securities will provide the investment income projected. If THDA experiences losses or delays in payments on the Investment Securities, there may be insufficient funds to make payments of principal and interest on the Offered Bonds when scheduled.

Average Life of PAC Bonds

The term “weighted average life” refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the PAC Bonds will be influenced by the rate at which principal of the Program Loans allocated to the Offered Bonds is repaid. Principal payments of Program Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term “prepayment” includes prepayments and liquidations due to default or other dispositions of the Program Loans, including payments on FHA mortgage insurance, VA guarantees, and private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Securities Industry and Financial Markets Association (formerly known as the Public Security Association (“PSA”)) prepayment standard or model (commonly referred to as the “PSA Prepayment Model”).

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of a pool of mortgage loans, beginning at the inception of each mortgage loan. The PSA Prepayment Model starts with 0.2% annualized prepayment rate in the first month, increases the prepayment rate by 0.2% in each succeeding month until the thirtieth month (when a 6.0% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.0% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

Prepayment speeds are commonly referred to as a percentage of the PSA Prepayment Model. For instance, “0% PSA” assumes no prepayments of principal on the Program Loans. “25% PSA” assumes the principal of Program Loans will prepay one-quarter as fast as the prepayments rates for 100% of the PSA Prepayment Model. “50% PSA” assumes the principal of Program Loans will prepay one-half as fast as the prepayments rates for 100% of the PSA Prepayment Model. “75% PSA” assumes the principal of Program Loans will prepay three-quarters as fast as the prepayments rates for 100% of the PSA Prepayment Model. “100% PSA” assumes the principal of Program Loans will prepay as fast as the prepayments rates for 100% of the PSA Prepayment Model. “150% PSA” assumes the principal of Program Loans will prepay at a rate 1.50 times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “200% PSA” assumes the principal of Program Loans will prepay at a rate twice as fast as the prepayments rates for 100% of the PSA Prepayment Model. “300% PSA” assumes the principal of Program Loans will prepay at a rate three times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “400% PSA” assumes the principal of Program Loans will prepay at a rate four times as fast as the prepayments rates for 100% of the PSA Prepayment Model. “500% PSA” assumes the principal of Program Loans will prepay at a rate five times as fast as the prepayments rates for 100% of the PSA Prepayment Model.

There is no assurance, however, that prepayments of the principal on Program Loans will conform to any particular level of the PSA Prepayment Model. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage loan interest rates, the rate at which homeowners sell their homes or default on their mortgage loans and changes in mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the Program Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on the Program Loans. As homeowners move or default on their mortgage loans, the houses are generally sold and the mortgage loan prepaid, although under certain circumstances, the mortgage loans may be assumed by a new buyer. Because of the foregoing influences upon prepayments and since the rate of prepayment of principal of Bonds will depend on the rate of repayment (including prepayments) of the Program Loans, the full repayment of any Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

The Program Loans allocable to the Offered Bonds may be terminated prior to final maturity as a result of prepayment, default, sale, condemnation, casualty loss or noncompliance. In addition, matters discussed under “Changes in Federal or State Law” above could have an effect on terminations. Consequently, it is impossible to predict the timing of the repayment of principal of the Program Loans allocable to the Offered Bonds and hence the weighted average life of the PAC Bonds. THDA has provided for the redemption of the PAC Bonds as described under the heading “DESCRIPTION OF OFFERED BONDS - Redemption Provisions for Offered Bonds—Special Mandatory Redemption of PAC Bonds”, and the weighted average lives of the PAC Bonds set forth below have been calculated based upon various assumptions, including assumptions that (i) 100% of the money deposited in the Issue 2015-2 Bond Subaccount of the Loan Fund is applied to finance Program Loans, (ii) approximately $47,197,150 of Transferred Program Loans with an approximate weighted average maturity of 251 months and an approximate weighted average interest rate of 5.79% will be allocated to the Offered Bonds, (iii) Excess 2015-2 Principal Payments will be used to redeem PAC Bonds only on Interest Payment Dates, and (iv) the PAC Bonds will be redeemed only in the related Planned Amortization Amounts as described under the heading "DESCRIPTION OF OFFERED BONDS – Redemption Provisions for Offered Bonds – Special Mandatory Redemption of PAC Bonds" and will not otherwise be redeemed in whole or in part. There can be no assurance that such assumptions will in fact prove accurate. For certain information regarding Transferred Program Loans see "DESCRIPTION OF TRANSFERRED PROGRAM LOANS" herein.

Projected Weighted Average Lives for PAC Bonds

PSA Speed	Issue 2015-2A PAC Bond Average Life (in years)	Issue 2015-2B PAC Bond Average Life (in years)
0%	24.9	24.9
25	19.2	19.2
50	12.9	12.9
75	7.8	7.8
100	5.0	5.0
200	5.0	5.0
300	5.0	5.0
400	5.0	5.0
500	4.3	4.3

RESIDENTIAL FINANCE PROGRAM BONDS

Bonds Outstanding Under the Resolution

THDA has issued $787,205,000 total original principal amount of bonds under the General Resolution, of which $720,635,000 (unaudited) were outstanding as of July 31, 2015, as shown below:

Issue of Bonds	Dated	Issued	Amount Outstanding as of July 31, 2015 (unaudited)	Original Net Interest Cost[(1)]
Issue 2013-1	May 30, 2013	$215,905,000	$173,775,000	3.13%
Issue 2013-2	November 19, 2013	121,300,000	107,380,000	3.59
Issue 2014-1	May 29, 2014	150,000,000	142,310,000	3.23
Issue 2014-2	November 20, 2014	150,000,000	146,195,000	2.91
Issue 2015-1	June 11, 2015	150,000,000	150,000,000	3.31
TOTAL		$787,205,000	$719,660,000	

(1) Bond yield.

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Origination Experience

THDA's experience from May 30, 2013, to July 31, 2015, regarding origination of Program Loans[(1)] from lendable proceeds of Bonds issued under the General Resolution since May 30, 2013, is shown in the following table:

Issue of Bonds	Lendable Proceeds[(2)]	Program Loans Financed[(3)] as of July 31, 2015 Amount	%	Weighted Average Interest Rate[(4)]
Issue 2013-1	$135,268,395	$135,268,395	100.00%	4.11%
Issue 2013-2	78,421,003	78,421,003	100.00	4.60
Issue 2014-1	119,728,634	119,728,634	100.00	4.08
Issue 2014-2	111,820,000	111,819,841	100.00	3.74
Issue 2015-1	131,880,843	71,946,869	54.55	4.44
TOTAL	$577,118,875	$517,184,742		

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for more information about Program Loans.

(2) Excludes proceeds that must be lent at 0% interest as participations in other Program Loans.

(3) Only Program Loans that have closed are included. Program Loans for which THDA has issued commitments are not included. All lendable proceeds with respect to the Issue 2015-1 Bonds were committed as of August 30, 2015.

(4) The weighted average interest rate relates only to new loans made from the lendable proceeds of the related bond issue and does not include any transferred loans derived from any refunding component of the related bond issue.

THDA began committing Program Loans against the expected lendable proceeds from the Offered Bonds on August 31, 2015, and as of September 14, 2015, THDA has committed a total principal amount of approximately $8,727,000 of Program Loans that will be allocated to the Offered Bonds, all of which are Great Choice Program Loans or Homeownership for the Brave Program Loans. THDA expects to reimburse itself for the full original principal amount of the Program Loans purchased as of the day of closing, if any.

RESIDENTIAL FINANCE PROGRAM LOANS

Description of Residential Finance Program Loans

General

THDA generally offers a primary loan program and may, from time to time, offer certain special loan programs. THDA Household Income Limits and THDA Acquisition Cost Limits for all loan programs are set in compliance with Code requirements. Household Income Limits and Acquisition Cost Limits may be further restricted for certain special loan programs. The current THDA Acquisition Cost Limits range from $250,000 to $375,000 depending on geographic location. The THDA Household Income Limits range from $56,280 to $93,660 depending on household size and geographic location. See Appendix H for a description of Residential Finance Program Loan Procedures related to Code requirements.

All Program Loans, or participations therein, to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described in Appendix H. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. The Issue 2015-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple estate in real property located in the State. THDA does not expect to use lendable proceeds of the Offered Bonds to purchase participations in Program Loans insured by private mortgage insurance unless such Program Loans are pooled into Fannie Mae Securities. While the Issue 2015-2 Supplemental Resolution provides that all participations in Program Loans to be financed with proceeds of the Offered Bonds shall be first lien loans, no assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

Since June 15, 2015, THDA has applied underwriting standards for Program Loans made after that date that, among other things include (i) a minimum credit score of 640 for all borrowers; (ii) no manual underwriting; and (iii) a required monthly debt to income ratio that does not exceed 45%. Program Loans financed prior to such date, including the Transferred Program Loans, were underwritten under different underwriting standards. THDA may, from time to time, initiate certain special limited programs for which some of these requirements may be waived.

On or before September 30, 2013, the THDA primary loan program included Great Rate loans, Great Advantage loans, Great Start loans and Homeownership for the Brave loans, all as described below. Transferred Program Loans financed prior to September 30, 2013, are Great Rate, Great Advantage, Great Start or Homeownership for the Brave Program Loans. On and after October 1, 2013, the THDA primary loan program includes Great Choice Program loans and Homeownership for the Brave Program loans, all as described below.

On or before September 30, 2013, THDA provided downpayment and closing cost assistance in the form of a grant that was available in connection with Great Start and Great Advantage Program Loans. Higher interest rates on these two Program Loan types reimbursed THDA for the grants made. On and after October 1, 2013, THDA provided downpayment and closing cost assistance in the form of Great Choice Plus Program Loans as described below.

Great Choice Program Loans

Since October 1, 2013, THDA has made Great Choice Program Loans available to eligible borrowers. Great Choice Program Loans are thirty year, fixed interest rate loans, fully amortized with full documentation and secured by a first lien on the property purchased. The interest rate for Great Choice Program Loans is set at a rate which results in the yield on such Program Loans not in excess of 1.125% above the yield on the related issue of bonds. The current interest rate for Great Choice Program Loans is 4.1%.

Great Choice Plus Loans

Since October 1, 2013, THDA has made Great Choice Plus loans available to eligible borrowers. Great Choice Plus loans are loans for downpayment and closing cost assistance and are available at the election of eligible borrowers in connection with Great Choice Program Loans. From October 1, 2013, to September 30, 2014, they were ten year, 0% interest rate loans in a principal amount equal to 4% of the purchase price of the property purchased. Since October 1, 2014, Great Choice Plus Loans are 0% interest, deferred, forgivable second lien loans with a fifteen year term. During the first ten years of the term, no monthly payments are due, but each Great Choice Plus loan will be due on sale and the amount due will be the full original principal amount of the loan. From years eleven through fifteen, each Great Choice Plus loan will be forgiven at twenty percent per year and the amount due on sale will be reduced by the forgiven amount. Great Choice Plus loans are secured by a second lien on the property purchased, are due on sale and are not assumable.

At the election of THDA, Great Choice Plus loans may be financed with proceeds of Bonds issued under the Resolution or from other resources available to THDA, including, without limitation, excess funds under the 1974 General Resolution, the 1985 General Resolution, or the 2009 General Resolution. To date, all Great Choice Plus loans have been financed with other resources available to THDA and will not be funded with the proceeds of the Offered Bonds. No assurance can be provided, however, that Supplemental Resolutions adopted for future series of Bonds will not authorize the financing of Great Choice Plus loans with the proceeds of such Bonds. In the event proceeds of future series of Bonds are used to fund Great Choice Plus loans, such loans will constitute Program Loans, will be subject to the lien of the General Resolution and will be a portion of the sources of payment of and security for the Bonds.

See Appendix B for a summary of the mortgage insurance or guarantee programs applicable to these Program Loans.

New Start Program Loans

New Start Loan Program Loans are designed to promote the construction of new homes for very low-income Tennesseans. New Start Loan Program Loans are delivered through non-profit organizations with established programs for the construction of single family housing for low and very low income households. The non-profit organization selects the homebuyer, determines eligibility, constructs the home, provides homebuyer education, originates, processes, closes and services the New Start Program Loan. New Start Program Loans have loan terms up to thirty years and are secured by a first lien on the property purchased. A 0% interest rate is available to borrowers who have a maximum family income of 60% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. An interest rate equal to one-half of the current interest rate for Great Choice Program Loans is available to borrowers who have a maximum family income of 70% of the higher of the state or county median income, with a maximum loan amount equal to the lesser of 75% of the value of the property or $112,500. All other THDA Program Loan requirements remain applicable. As of July 31, 2015 (unaudited), 81 New Start Program Loans, with an aggregate principal balance of approximately $4,250,823, were outstanding under the General Resolution. Although THDA may use amounts made available as a result of the issuance of the Offered Bonds to finance New Start Program Loans, THDA does not expect to use proceeds of the Offered Bonds to make New Start Program Loans.

Homeownership for the Brave

Homeownership for the Brave Program Loans are available to eligible borrowers at a ½-percentage point reduction on the otherwise applicable loan program. Active and retired members of the military and reservists (180 days active duty) and spouses, and surviving spouses of qualified veterans are all eligible to receive this reduction. As of July 31, 2015 (unaudited), 184 Homeownership for the Brave Program Loans, with an aggregate principal balance of approximately $20,676,705, were outstanding under the General Resolution. Eligible borrowers will also be eligible for Great Choice Plus loans. THDA may continue to finance Homeownership for the Brave Loans, from time to time, from the proceeds of the Offered Bonds as well as from the proceeds of other Bonds.

Disaster Relief and Economic Recovery Mortgage Program

THDA made Disaster Relief and Economic Recovery Mortgage Program Loans from funds available under the 1974 General Resolution. In connection with Issue 2013-1 Bonds issued under the General Resolution, certain of these Disaster Relief and Economic Recovery Program Loans became Transferred Program Loans allocable to the Issue 2013-1 Bonds under the General Resolution. As of July 31, 2015 (unaudited), 231 Disaster Relief Program Loans, with an aggregate principal balance of approximately $15,080,218, were outstanding under the General Resolution. THDA no longer makes loans of this type.

Great Rate/Great Advantage/Great Start Program Loans

Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were available to qualified borrowers who had loan applications dated on or before September 30, 2013. Great Rate Program Loans, Great Advantage Program Loans, and Great Start Program Loans were thirty year, fixed interest rate loans, fully amortized, with full documentation, and secured by a first lien on the property purchased. Interest rates for each type of Program Loan were established at rates which resulted in a blended yield on such Program Loans not in excess of 1.125% above the yield on the related issue of Bonds.

An amount equal to 4% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Start Program Loans. An amount equal to 2% of the loan amount was made available as a grant to borrowers for downpayment and closing cost assistance in connection with Great Advantage Program Loans. THDA financed this downpayment and closing cost assistance from excess revenues available outside the General Resolution and retains a portion of the interest collected on Great Start Program Loans and Great Advantage Program Loans to reimburse itself for the amount of this assistance.

As of July 31, 2015, 1,452 Great Rate, 25 Great Advantage, and 1,804 Great Start Program Loans, with an aggregate principal balance of approximately $297,427,650, were outstanding under the General Resolution.

Although Transferred Program Loans include Great Rate or Great Start Program Loans, THDA no longer makes loans of this type.

Residential Finance Program Portfolio Data

General

As of July 31, 2015 (unaudited), 7,966 Program Loans for single family owner-occupied housing having an aggregate outstanding principal amount of approximately $698,852,622 were outstanding under the General Resolution. These Program Loans had an approximate remaining weighted average maturity of 311.30 months and an approximate weighted average interest rate of 4.48%.

All tables under this heading, “Residential Finance Program Portfolio Data”, include data about 1974 General Resolution Transferred Loans, but do not include data about Transferred Program Loans. For more information about 1974 General Resolution Transferred Loans see “RESIDENTIAL FINANCE PROGRAM LOANS-Description of Residential Finance Program Loans-Transfer of Assets”. For more information about Transferred Program Loans see “DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS”.

Program Loans By Type of Insurance or Guarantee

The following table summarizes, as of July 31, 2015 (unaudited), the types of insurance or guarantee for the outstanding Program Loans:

Type of Program Loan Made by THDA[1]	**Number of Program Loans**	**Outstanding Balance** [3]	**Percent of Total Number of Program Loans** [3]	**Percent of Total Outstanding Balance** [3]
FHA Insured	6,795	$617,444,182	85.30%	88.35%
VA Guaranteed	201	17,795,154	2.52	2.55
Privately Insured	183	12,480,033	2.30	1.79
USDA/RD Guaranteed	511	32,995,328	6.41	4.72
Uninsured[2]	276	18,137,925	3.46	2.60
TOTAL	7,966	$698,852,622[4]	100.00%[4]	100.00%[4]

(1) See Appendix B for more information about FHA insurance, VA and USDA/RD guarantees and private insurance for Program Loans. See “RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans” for a description of types of Program Loans.

(2) 22% minimum equity interest by borrower at time of closing if closed on or after July 29, 1999, or 25% minimum equity if closed prior to July 29, 1999. Also includes Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.

(3) Rounded figures.

(4) Rounded total.

Privately Insured Program Loans

Since January 2, 2009, THDA has not purchased conventional, privately insured loans because no private mortgage insurers, since January 2, 2009, have or have had ratings of at least ‘AA’ by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“S&P”). Should any private mortgage insurers regain a rating of at least ‘AA’ from S&P, THDA will reconsider whether to resume purchasing conventional loans. Notwithstanding the foregoing, certain Program Loans allocated to Bonds under the General Resolution upon the refunding of other THDA obligations, including certain of the Transferred Program Loans, are privately insured and are shown under the heading “Privately Insured” in the chart above.

Each private mortgage insurer insuring conventional, privately insured Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least ‘AA’ by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least ‘AA’ by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of July 31, 2015 (unaudited), 183[1] privately insured Program Loans having an aggregate balance of approximately $12,480,033 were outstanding under the General Resolution. As of July 31, 2015 (unaudited), THDA had the following information regarding the private mortgage insurers for 114 of these privately insured Program Loans:

Name of Private Mortgage Insurer	Number of Program Loans	Outstanding Balance [3]	Percent of Total Number of Program Loans[3]	Percent of Total Outstanding Balance of Program Loans[3]
Commonwealth/CMAC	3	$ 92,049	0.04%	0.01%
Genworth Mortgage Insurance Corp. (GE)	37	2,785,074	0.46	0.40
MGIC	28	2,415,044	0.35	0.35
PMI Mortgage Insurance Co.[2]	1	83,954	0.01	0.01
Radian Guaranty Inc.	5	277,619	0.06	0.04
Republic Mortgage Insurance Corporation	26	1,886,718	0.33	0.27
Triad Guaranty Insurance Corporation	5	345,469	0.06	0.05
United Guaranty Residential Insurance Co.	9	581,481	0.11	0.08
TOTAL	114	$8,467,408[4]	1.43%[3]	1.21%[4]

(1) The private mortgage insurer is not identified with respect to 69 of these privately insured Program Loans as substantially all of these Program Loans were originated prior to the time THDA compiled data with respect to individual private mortgage insurance providers.

(2) PMI Mortgage Insurance is under the oversight of the Arizona Department of Insurance and, effective October 25, 2011, will pay claims only at the rate of $.70 per $1.00.

(3) Rounded figures.

(4) Rounded total.

In addition to the foregoing, THDA is in the process of implementing a program under which THDA approved originating agents would make loans to qualified borrowers to finance the purchase of qualified single-family residences in Tennessee that are insured by private mortgage insurance issued by an entity acceptable to Fannie Mae. Such loans would be pooled and would back Program Securities guaranteed as to timely payment of principal and interest by Fannie Mae. THDA may purchase such Program Securities using bond proceeds and such purchased Program Securities would be held under the General Resolution. THDA may use a portion of proceeds of the Offered Bonds to purchase Fannie Mae Securities although no assurances can be provided that THDA will do so. THDA does not expect to use proceeds of the Offered Bonds to directly purchase conventional loans backed by private mortgage insurance unless such loans are pooled into Program Securities. See Appendix C for additional information regarding Fannie Mae and Fannie Mae Securities.

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Program Loan Interest Rates

The following table summarizes, as of July 31, 2015 (unaudited), the interest rates of the outstanding Program Loans:

Mortgage Rates (%)	Number of Program Loans[1]	Outstanding Balance [2]	Percent of Total Number of Program Loans[2]	Percent of Total Outstanding Balance [2]
0.00-2.99	151	$ 7,604,002	1.90%	1.09%
3.00-3.99	2,337	269,237,474	29.34	38.53
4.00-4.49	1,933	224,248,591	24.27	32.09
4.50-4.99	770	61,557,824	9.67	8.81
5.00-5.49	499	40,617,393	6.26	5.81
5.50-5.99	976	42,331,137	12.25	6.06
6.00-6.49	273	21,410,650	3.43	3.06
6.50-6.99	456	16,503,211	5.72	2.36
7.00-7.49	245	7,256,867	3.08	1.04
7.50-7.99	229	5,613,023	2.87	0.80
8.00-8.99	87	2,373,638	1.09	0.34
9.00-12.00	10	98,812	0.13	0.01
TOTAL	7,966	$698,852,622 [3]	100.00%[3]	100.00%[3]

(1) See "RESIDENTIAL FINANCE PROGRAM LOANS—Description of Residential Finance Program Loans" for a description of types of Program Loans.

(2) Rounded figures.

(3) Rounded total.

Delinquency and Foreclosure Process

For all Program Loans, THDA tracks (i) exceptions to normal, expected monthly payments; (ii) individual Program Loan balances; and (iii) remittances based on automated data received directly from its Servicers. THDA uses this data to calculate delinquency rates and foreclosures. Those Program Loans for which two payment dates have passed with no payment received by the last business day of the month in which the second payment was due are considered 60 to 89 days past due. Those Program Loans for which three or more payment dates have passed with no payments received by the last business day of the month in which the third payment was due are considered 90 or more days past due. The status of Program Loans to borrowers who are in bankruptcy is fixed beginning at the time bankruptcy proceedings commenced. The definitions used by THDA to calculate delinquency rates and foreclosure rates are consistent with those used by the Mortgage Bankers Association of America ("MBA").

The financial institutions who service Program Loans manage delinquencies by working with borrowers in an attempt to avoid defaults and by sending payment requests to borrowers who are delinquent. THDA supports counseling programs for delinquent as well as prospective borrowers. These counseling services are provided by lenders, non-profit organizations and social service agencies located throughout the State. THDA maintains an inventory of housing counseling services, reviews materials used, and encourages grant recipients to provide counseling.

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Delinquencies and Foreclosures as of July 31, 2015

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.86%, based on a total of 7,966 Program Loans as of July 31, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of July 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2015, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JULY 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% of Total Number by Loan Type
FHA Insured	127	$10,036,754	1.87%	1.63%[4]
VA Guaranteed	3	221,248	1.49	0.86
Privately Insured	0	0	0.00	0.46 [5]
USDA/RD Guaranteed	15	902,694	2.94	[6]
Uninsured	3	165,140	1.09	[6]
TOTAL	148	$11,325,836[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.30%, based on a total of 7,966 Program Loans as of July 31, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of July 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2015, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JULY 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% of Total Number by Loan Type
FHA Insured	239	$17,717,878	3.52%	2.71%[4]
VA Guaranteed	5	302,833	2.49	1.90
Privately Insured	2	138,043	1.09	0.89 [5]
USDA/RD Guaranteed	14	1,023,764	2.74	[6]
Uninsured	3	154,833	1.09	[6]
TOTAL	263	$19,337,351[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 1.03%, based on a total of 7,966 Program Loans as of July 31, 2015 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of July 31, 2015 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2015, are as follows:

IN FORECLOSURE AS OF JULY 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	65	$5,950,109	0.96%	1.84%[4]
VA Guaranteed	2	152,475	1.00	1.05
Privately Insured	6	231,590	3.28	0.36 [5]
USDA/RD Guaranteed	8	640,386	1.57	(6)
Uninsured	1	44,499	0.36	(6)
TOTAL	82	$7,019,059[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS

General

As of July 31, 2015, the Transferred Program Loans have an approximate weighted average maturity of 253.56 months and a weighted average interest rate of 5.80% per annum. Average prepayment rate information for the Transferred Program Loans is discussed in "DESCRIPTION OF THE TRANSFERRED PROGRAM LOANS – Prepayment Experience of Transferred Program Loans" below. It is anticipated that the characteristics of the pool of Transferred Program Loans will be substantially similar to the loans described below (such information below is as of July 31, 2015; the Transferred Program Loans will not be allocable to the Offered Bonds until October 15, 2015, and Transferred Program Loan characteristics may change slightly from July 31, 2015, to October 15, 2015).

Transferred Program Loans by Loan Type

Type of Mortgage	**Number**	**Principal Amount** [3]	**% of Transferred Principal Amount**
FHA Insured	393	$32,894,424	67.97%
VA Guaranteed	17	1,704,775	3.52
Privately Insured[1]	28	2,081,485	4.30
USDA/RD Guaranteed	111	8,684,380	17.94
Uninsured[2]	44	3,032,085	6.27
TOTAL	593	$48,397,150 [4]	100.00%

(1) This includes Program Loans for which private mortgage insurance was in place at the time of the closing of the respective Program Loan.
(2) Program Loans for which the borrower has at least a 22% equity interest in the residence on the date of closing or at least a 25% equity interest in the residence on the date of closing for Program Loans closed prior to July 29, 1999, and Program Loans which were privately insured at the time of closing but have since met the requirements of the Homeowner Protection Act of 1998 for termination of private mortgage insurance.
(3) Rounded figures.
(4) Rounded total.

Privately Insured Transferred Program Loans

Each private mortgage insurer insuring conventional, privately insured THDA Program Loans was authorized by the Tennessee Commissioner of Commerce and Insurance to do business in the State of Tennessee and was approved by THDA. Since June 1994, only private mortgage insurance providers rated at least 'AA' by S&P were permitted to provide private mortgage insurance coverage for conventional, privately insured THDA Program Loans. THDA does, however, have conventional, privately insured Program Loans that were made prior to January 2, 2009, outstanding under the Resolution that were insured by private mortgage insurers who are not currently rated at least 'AA' by S&P.

THDA makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payment to THDA of claims on Program Loans on which losses are incurred. Recent rating agency reviews of private mortgage insurers may be indicative of some future inability of private mortgage insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. Any failure to make timely payments on the private mortgage insurance policies may disrupt the flow of revenues available for the payment of principal and interest on the Bonds.

As of July 31, 2015 (unaudited), 28 privately insured Transferred Program Loans having an aggregate principal balance of approximately $2,081,485 were outstanding.

Prepayment Experience of Transferred Program Loans

The Transferred Program Loans are composed of mortgage loans originally allocable to the Prior Bonds. The table set forth below lists the actual average prepayment rate (principal only) experience as a percentage of the PSA Prepayment Model of the mortgage loans allocable to the Prior Bonds for the 3 month, 6 month and 12 month periods ended on July 31, 2015, based on principal prepayment data available to THDA.

Issue	3 Months	6 Months	12 Months	Since Inception	Weighted Average Interest Rate
2006-1	360	328	278	255	5.66%
2006-2	324	263	228	273	5.92
Weighted Average	342	296	254	264	5.79

Delinquency Information for the Transferred Program Loans

The overall delinquency rate for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.87%, based on a total of 593 Transferred Program Loans as of July 31, 2015 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were sixty (60) to eighty-nine (89) days past due as of July 31, 2015, (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2015, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JULY 31, 2015

	Program Loans			MBA(3)
Type of Mortgage	Number	Outstanding Balance (1)	% of Total Number by Type of Program Loan	% of Total Number by Loan Type
FHA Insured	13	$1,026,261	3.31%	1.63%(4)
VA Guaranteed	0	0	0.00	0.86
Privately Insured	2	97,651	7.14	0.46 (5)
USDA/RD Guaranteed	2	141,771	1.80	(6)
Uninsured	0	0	0.00	(6)
TOTAL	17	$1,265,683(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The overall delinquency rate for the Transferred Program Loans that were ninety (90) days past due was 7.25%, based on a total of 593 Transferred Program Loans as of July 31, 2015 (unaudited).

Delinquency rates by loan type for the Transferred Program Loans that were ninety (90) days past due as of July 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA, by loan type, for fixed rate mortgages for the quarter ending June 30, 2015, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JULY 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	34	$2,757,657	8.65%	2.71%[4]
VA Guaranteed	2	229,355	11.76	1.90
Privately Insured	1	114,342	3.57	0.89[5]
USDA/RD Guaranteed	5	470,386	4.50	[6]
Uninsured	1	71,086	2.27	[6]
TOTAL	43	$3,642,826[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

The rate of Transferred Program Loans in foreclosure was 2.02%, based on a total of 593 Transferred Program Loans as of July 31, 2015 (unaudited).

The foreclosure rate by loan type for the Transferred Program Loans in foreclosure as of July 31, 2015 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA, by loan type, for the quarter ending June 30, 2015, are shown in the following table:

IN FORECLOSURE AS OF JULY 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	10	$ 987,988	2.54%	1.84%[4]
VA Guaranteed	1	94,944	5.88	1.05
Privately Insured	0	0	0.00	0.36[5]
USDA/RD Guaranteed	1	90,155	0.90	[6]
Uninsured	0	0	0.00	[6]
TOTAL	12	$1,173,087[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans.
(5) Prime fixed rate mortgage loans.
(6) MBA does not report data in these categories.

Historical delinquency and foreclosure information for the General Resolution is contained in Appendix J.

FINANCIAL SUMMARY OF RESIDENTIAL FINANCE PROGRAM

Consolidated Revenues and Net Position

The following table summarizes consolidated revenues and net position for the Residential Finance Program for the three most recent years. Data in the table is expressed in thousands. Data for the years ending June 30, 2014, and 2013, is taken from THDA's audited financial statements. Data for the year ended June 30, 2015, is unaudited.

	Year Ended June 30 (Unaudited)	Year Ended June 30 (Audited)	
Residential Finance Bond Group	**2015**	**2014**	**2013**
REVENUES:			
Interest on Mortgages	$ 25,393	$ 13,518	$ 222
Investment Income:			
Interest	1,866	335	10
Net Increase (decrease) in the Fair Value of Investments	(552)	(146)	(83)
Fees and Other Income	160	-	76
	26,867	13,707	225
EXPENSES:			
Interest	17,058	9,087	551
Issuance Cost	2,343	2,167	1,679
Mortgage Servicing Fees	2,048	980	18
Other	1,001	239	1
	22,450	12,473	2,249
Excess of Revenues over Expenses	4,417	1,234	(2,024)
Net Position at beginning of period	105,707	(68,279)	-
Other Transfers	(9,069)	172,752	(66,255)
Net Position at end of period	$ 101,055	$ 105,707	$ (68,279) [1]

[1] On May 30, 2013 THDA issued its Issue 2013-1 Bonds under the General Resolution. Proceeds of the Issue 2013-1 Bonds in an aggregate principal amount of $75,905,000 were applied to the refunding of THDA's Issue 2003-A Bonds under the 1974 General Resolution and THDA's Issue 2004-1 Bonds under the 1985 General Resolution. While the Issue 2013-1 Bonds were issued on May 30, 2013, the assets allocable to the Issue 2003-A and the Issue 2004-1 Bonds in an aggregate amount of approximately $99,855,200 did not transfer to the General Resolution until July 1, 2013, the date of the redemption of such bonds. As a result of such transfer, the net position of the General Resolution as of July 1, 2013, was approximately $31,576,000 (unaudited).

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Investments

THDA's non-mortgage investments of funds held under the General Resolution consist of Investment Securities as authorized in the Resolution. THDA solicits bids in an effort to obtain the highest available yield with consideration given to maintaining a balanced portfolio. As of July 31, 2015 (unaudited), the General Resolution investment portfolio was placed as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Farm Credit Bank Notes	$ 0	$ 99,861
Federal Home Loan Bank Notes	19,995,992	27,783,181
Federal Home Loan Mortgage Corporation Notes	3,751,713	8,823,172
Fannie Mae Notes	0	10,338,106
Financing Corporation Bonds	0	2,698,211
United States Treasury Bonds	4,928,637	383,824
TOTAL	$ 28,676,342	$ 50,126,355

As of July 31, 2015 (unaudited), amounts in the Bond Reserve Fund, a portion of the General Resolution investment portfolio described above, were invested as follows:

Types of Investments	Short Term[1] Amount	Long Term[2] Amount
Federal Home Loan Bank Notes	$ 0	$ 17,703,983
Federal Home Loan Mortgage Corporation Notes	1,071,918	0
Fannie Mae Notes	0	4,112,495
TOTAL	$ 1,071,918	$ 21,816,478

(1) Short term investments include cash equivalents and investments that mature in one year or less.
(2) Long term investments include investments that mature in more than one year regardless of call features.

THDA

Purpose and Organization

THDA is a body, politic and corporate, and a political subdivision and instrumentality of the State. THDA was established in 1973 by the Act for the purpose, among other things, of raising funds through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. To carry out its public purposes, THDA has various powers under the Act including, without limitation, powers relating to the issuance of bonds or notes and the financing of residential housing in the State.

In accordance with Tennessee law, state entities, including THDA, are subject to periodic review by the General Assembly to evaluate the necessity for their continued existence. THDA's existence has been continued until June 30, 2018.

Under the Act, THDA may have bonds and notes outstanding in an aggregate principal amount not exceeding $2,930,000,000. As of July 31, 2015 (unaudited), THDA has bonds and notes outstanding in an aggregate principal amount of $1,886,790,000, calculated in accordance with the Act.

Board of Directors

THDA is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of THDA. The Act provides that six board members be appointed by the Governor from among the following groups: retail building material supply, manufactured housing, home building, mortgage banking, licensed real estate brokers, local public housing authority, local government and qualifying non-profits. The Act also provides for a board member to be appointed by the Speaker of the State Senate, a board member to be appointed by the Speaker of the State House of Representatives, two at-large board members appointed by the Governor who are knowledgeable about the problems of inadequate housing conditions in Tennessee and any board members as may be required by applicable federal law or regulation. Any change in the status or profession of an appointed board member does not affect the position or term of that board member. The Executive Director of THDA serves as Secretary to the board.

Board members (other than *ex officio* members and the federally required resident member) are appointed for four year terms, serve until their successors are duly appointed and qualified, and receive no compensation except for reimbursement of expenses. Certain board members may be affiliated with institutions which may originate or service Program Loans on behalf of THDA. One of the appointed board members is designated by the Governor to serve as Chairman. The Chairman's term extends until the earlier of the date of expiration of his or her term or a date six months after expiration of the term of the Governor designating such Chairman.

The name, term of office and principal occupation of the current members of the Board of Directors(1) are shown below:

Name	**Term Expires**	**Principal Occupation**
John L. Baker	June 30, 2016	Executive Director, Health, Educational & Housing Facility Board, Memphis, TN
Brian Bills, Chairman	June 30, 2017	Sr. Vice President, Residential Mortgage Lending SunTrust Mortgage, Inc., Knoxville, TN
Dorothy L. Cleaves	June 30, 2016	First Vice President, Paragon National Bank Memphis
Kendra Cooke	June 30, 2019	Broker, Cooke Realty Partners/Bob Parks Realty Brentwood, TN
Tre Hargett(2)	January, 2017	Secretary of State
Ronald K. Jones	June 30, 2016	Executive Director, Trevecca Towers Nashville
David H. Lillard, Jr.(2)	January, 2017	State Treasurer
Larry Martin(2)	(3)	Commissioner, Department of Finance and Administration
Ashleigh Harb Roberts(2)	(3)	Deputy Counsel to the Governor
Benjie Shuler	June 30, 2016	Real Estate Broker, Collins & Shuler Management Knoxville, TN
Pieter J. van Vuuren	June 30, 2019	President & CEO, First National Bank of McMinnville McMinnville, TN
Justin Wilson(2)	January, 2017	Comptroller of the Treasury

(1) Three Board of Directors positions appointed by the Governor are vacant including two positions appointed under T.C.A. Section 13-23-107(a) and one position appointed under T.C.A. Section 13-23-107(c).

(2) Ex officio member.

(3) Serves at pleasure of the Governor.

Executive Staff Members

THDA employs a staff of approximately 211 persons, which includes professionals in various fields relating to housing and mortgage lending. Executive staff members involved with Program Loans include:

Ralph M. Perrey – Executive Director since 2012. Formerly, Fannie Mae (2000-2012); Office of Tennessee Governor Don Sundquist (1995-1999); Office of U.S. Representative 7th District Tennessee (1987-1994). B.S., Frostburg (MD) State University.

Wayne Beard, C.P.A. – Director of Finance since 2002. THDA employee since 1985. B.S., Tennessee Technological University.

Joseph W. Brown, Jr., C.P.A. – Controller since 2003. THDA employee since 1992. Formerly, Comptroller of the Treasury of Tennessee, Division of State Audit (1990–1992); Lorenz Creative Services (1984–1990). B.S., East Tennessee State University.

Lindsay Hall – Senior Director of Single Family Programs since 2012. THDA employee since 2010. Formerly, A Better Way Realty, Inc. (2009); William E. Wood at the Mall (2008-2009); Wells Fargo Home Mortgage (2000-2007); Charter Mortgage (1999); Aztec Mortgage (1997-1999); First Security Bank, N.A. (1994-1997); Sivage Thomas Homes (1993-1994); NVR Homes, Inc. (1988-1993); PaineWebber Mortgage Finance Co. (1986-1988). Licensed Residential Real Estate Appraiser (2008); VA Licensed Real Estate Salesperson (2008-2010); Licensed Mortgage Loan Originator (2010).

Lynn E. Miller – Chief Legal Counsel since 1993. THDA employee since 1993. Formerly, Boult, Cummings, Conners & Berry, Nashville, Tennessee (1987-1993); Chattanooga-Hamilton County Regional Planning Commission (1981-1984); Tennessee State Planning Office (1978-1981). B.A., Wittenberg University; M.S.P., University of Tennessee; J.D., Vanderbilt University.

Gathelyn (Gay) Oliver, C.P.A. - Director of Internal Audit since 2013. Formerly, Tennessee Department of Human Services (2010-2013); Randa Solutions (2009-2010); Beacon Technologies (2007-2009); BellSouth (1999-2007); Tennessee Department of Revenue (1988-1997, 1998-1999), Tennessee Department of Environment and Conservation(1997-1998). B.B.A., Middle Tennessee State University, M.B.A., Vanderbilt University Owen Graduate School of Management.

Trent Ridley – Chief Financial Officer since 2006. THDA employee since 2006. Formerly, Tennessee Department of Health (2000-2006); Tennessee Rehabilitative Initiative In Correction (1999-2000); Service Merchandise (1997-1998); National Auto Truckstops, Capital Accounting (1995-1997); Tennessee Department of Finance & Administration (1990-1995). B.B.A., Middle Tennessee State University.

THDA's principal office is located at 502 Deaderick Street, 3rd Floor, Nashville, Tennessee 37243-0200, and its telephone number is (615) 815-2200. THDA has regional offices in four (4) locations elsewhere in the State for the purpose of administering the Housing Choice Voucher rental assistance program.

THDA Funds

Statutorily Created Funds

In 1988, the General Assembly of the State of Tennessee (the "State") amended the Act to provide, among other things, for the creation of the Housing Program Fund and the Assets Fund, which funds are financially separate from the General Resolution, the Residential Finance Program and all of the other general bond resolutions and mortgage loan programs of THDA.

The Housing Program Fund is the vehicle used by THDA to fund non-mortgage programs not otherwise funded through federal programs. Essentially, all revenues of THDA derived from sources other than the Residential Finance Program or other bond resolutions are deposited into the Housing Program Fund. Amounts in the Housing Program Fund currently include investment income from the Housing Program Fund, federal funds received by THDA for the administration of federal programs, and fees charged by THDA in connection with its non-mortgage programs. Amounts in the Housing Program Fund are not pledged as security for the Offered Bonds.

The Assets Fund is a segregated fund of THDA that originally contained assets transferred in 1989 from the 1974 General Resolution in accordance with its terms, together with related investment earnings, but which presently has a balance of $0. Amounts in the Assets Fund, if any, are not pledged as security for the Offered Bonds.

Prior Transfers from THDA

The Constitution of the State requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligations, for that year. When faced with budget deficits in the past, the State has called upon THDA and its resources, together with resources of other departments, agencies and organizations in state government, to provide funds to the State General Fund to balance the State budget. The following is a description of these occurrences in relationship to THDA.

As of June 30, 1995, $15,000,000 in THDA's Housing Program Reserve Fund was transferred to the State General Fund to assist in balancing the State budget for fiscal year 1994-1995.

As of June 30, 1998, $43,000,000 was transferred from THDA to the State General Fund to assist in balancing the State budget for fiscal year 1997-1998. The $43,000,000 transferred from THDA to the State General Fund came from the following resources of THDA: (i) $15,459,157 from state tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. In addition, in conjunction with the transfer from the Housing Program Reserve Fund described in clause (ii), the Housing Program Reserve Fund was statutorily abolished.

Amendments to the Act in 1999 and in 2000, temporarily, then permanently, redirected to the State General Fund, all tax revenue previously directed by the Act to THDA for the HOUSE Program, a grant program no longer administered by THDA. As a result of the permanent redirection of these state tax revenues, no state tax revenues currently are appropriated to THDA.

As of June 30, 2002, $35,367,449.26 was transferred from THDA's Assets Fund to the State General Fund to assist in balancing the State budget for fiscal year 2001-2002. The remaining balance of the Assets Fund, approximately $1,387,000 of mortgage loans, was not required to be liquidated and the proceeds transferred. THDA subsequently transferred these mortgage loans to the General Fund of the Housing Bond Resolution (Mortgage Finance Program) which reduced the balance in the Assets Fund to $0.

No additional resources of THDA have been redirected or transferred to the State General Fund to close out any fiscal year since the fiscal year ending June 30, 2002.

Notwithstanding the foregoing, if projected State budget needs outstrip actual or projected revenues, the State may seek additional sources of funds or seek to realize program savings through reductions or more efficient delivery of services; however, THDA cannot predict whether or not this will occur or, if it does, what actions may be proposed or eventually taken and what effect, if any, such actions may have on THDA. If action is taken to redirect or transfer THDA resources to the State General Fund, such amounts could include THDA resources that are not pledged to any bonds of THDA, as well as any available excess revenues eligible for withdrawal under THDA bond resolutions, including the General Resolution. No assurance can be made that the current ratings on the Bonds or other bonds of THDA can be maintained in the event funds are withdrawn from THDA bond resolutions, including the General Resolution.

Payment of THDA Operating Expenses, Including Program Expenses

THDA currently receives no funds from the State of Tennessee for operating and administrative expenses. THDA is authorized to pay all operating and administrative expenses, including certain Program Expenses of the General Housing Finance Program, with funds available therefor from THDA bond resolutions, including the General Resolution, and from other resources available to THDA. THDA may pay certain expenses, such as Costs of Issuance, Underwriter's fees, initial Trustee's fees, and other similar costs from amounts on deposit in the Debt Service and Expense Account of the Revenue Fund. THDA currently expects to continue to pay certain Program Expenses, including ongoing Trustee's fees, servicing fees, foreclosure fees, and other similar costs from the Debt Service and Expense Account of the Revenue Fund. THDA expects to pay other Program Expenses and all operating and administrative costs and expenses that are not Program Expenses from THDA bond resolutions, including the General Resolution, and from other resources available to THDA. From this combination of resources, THDA believes it will have sufficient resources to pay Program Expenses and other THDA operating and administrative costs and expenses. Certain actions by the General Assembly of the State of Tennessee may affect future payment of operating and administrative expenses. Regardless of THDA's best efforts and in the event of additional transfers to the State, however, THDA could become reliant on State appropriations for the funding of THDA operations. No assurances can be given as to the amount of appropriation that may be available at any time.

Tennessee Consolidated Retirement System

General Information

THDA employees are authorized to participate in the Tennessee Consolidated Retirement System ("TCRS"), a defined benefit pension plan, pursuant to Tennessee Code Annotated Section 13-23-115(21). Effective July 1, 2014, the TCRS includes a defined contribution component for employees first hired on and after that date. The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees (including THDA employees); higher education employees; teachers; and employees of certain local governments. There are 61,109 active members in TCRS in the state and higher education employee group at June 30, 2015. This total includes 238 employees of THDA who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees (including THDA employees) and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. The past practice has been that an actuarial valuation is performed every other year. The next actuarial valuation, to determine the employer contribution rate, will be as of June 30, 2015. The TCRS Board of Trustees adopted a pension funding policy to begin annual actuarial valuations going forward.

Retirement Plan for Employees Hired Prior to July 1, 2014
("Closed State and Higher Education Employment Pension Plan")

Employees hired prior to July 1, 2014, participate in a defined benefit plan as a condition of employment. The employer currently contributes 15.03% of salary while employees do not contribute to the plan. Actuarial valuations determine the rate of the employer contribution.

The benefit accrual formula is 1.575% under the Closed State and Higher Education Employment Pension Plan. Eligibility to retire is age 60 or 30 years of service. Vesting is 5 years. Retirees are entitled to cost of living adjustments after retirement. The actual amount of the increase is based on the consumer price index, up to a maximum of 3%.

New Retirement Plan for Employees Hired on or after July 1, 2014
("New State and Higher Education Employee Retirement Plan")

As authorized by Public Chapter 259, Acts of 2013, employees first hired on or after July 1, 2014, will participate in a retirement plan consisting of a defined benefit plan and a defined contribution plan. Employees will contribute at 5% of salary to the defined benefit plan. Employees will contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans will be limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan.

The benefit accrual formula under the New State and Higher Education Employee Retirement Plan will be 1%. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90) under the new plan. Vesting is 5 years. Retirees are entitled to cost of living adjustments after retirement. The actual amount of the increase is based on the consumer price index, up to a maximum of 3%. Within the new retirement plan, there is a stabilization reserve created for any employer contributions that exceed the actuarially required employer rate that will be utilized to control cost and unfunded liabilities.

The defined benefit component of the New State and Higher Education Employee Retirement Plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the New State and Higher Education Employee Retirement Plan and do not apply to the Closed State and Higher Education Employee Pension Plan.

Deferred Compensation Plan

The deferred compensation program is a voluntary defined contribution plan to provide state employees and higher education employees with the opportunity to accumulate supplemental retirement income on a tax advantaged basis. The program offers employees two plans, a 457 plan and a 401(k) plan. The contributions to the 401(k) plan can be made to both traditional and/or Roth plans.

A defined contribution plan for state employees and higher education employees entering service on or after July 1, 2014, is a component of the New State and Higher Education Employee Retirement Plan. By statute, employer contributions are made at the rate of 5% of salary to the 401(k) plan. However, employer contributions may be reduced as part of the cost controls and unfunded liability controls as previously described in the defined benefit plan component of the New State and Higher Education Employee Retirement Plan. Upon employment, employees are automatically enrolled to contribute 2% of salary to the deferred compensation defined contribution plan but employees may elect to increase or decrease the employee contributions at any time. Employees are immediately vested in employee and employer contributions.

Employee contribution limits to the 401(k) plan are established by federal statute. In the 401(k) plan, available to state and higher education employees in both the Closed State and Higher Education Employee Pension Plan and the New State and Higher Education Employment Retirement Plan, voluntary employee contributions are matched by employer contributions up to a maximum of $50 per month. Employer contributions are subject to the funding being appropriated in the budget each fiscal year; otherwise no match will be made by THDA. Employees are immediately vested in employee and employer contributions. Employees can choose to invest employer and employee contributions among a variety of investment products.

Employee contribution limits to the 457 plan are established by federal statute. There are no employer contributions to the 457 plan. Employees are immediately vested in employee contributions. Employees can choose to invest contributions among a variety of investment products.

For the fiscal year ended June 30, 2015, 173 THDA employees made contributions to the 401(k) plan and 10 THDA employees made contributions to the 457 plan. THDA made employer contributions to the 401(k) plan that totaled $86,335 while THDA employees contributed a total of $243,815 to the 401(k) plan and the 457 plan.

Actuarial Data

An actuarial valuation was performed as of June 30, 2014, to determine the TCRS financial position in order to provide information related to new Governmental Accounting Standards Board (GASB) pronouncements. At June 30, 2014, the net pension liability for the state and higher education employee group based on the market value of assets was $690 million, resulting in a plan fiduciary net position as a percentage of total pension liability of 95.11%. The employer contribution rate, as determined by each actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost. The next actuarial valuation to determine both the financial position of the plan and the appropriate employer contribution rate will be as of June 30, 2015.

THDA Employer Contributions to TCRS

For THDA, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2014, and ending June 30, 2016, is 15.03% based on the actuarial valuation performed as of July 1, 2013, for employees hired before July 1, 2014. For employees first hired after June 30, 2014, the employer rate is 9% (combined rate for defined benefit plan and defined contribution plan), while the combined contribution rate for employees is 7%, although employees may opt out of the 2% contribution to the defined contribution plan.

THDA's actual and estimated contributions to TCRS are reflected in the following table:

Fiscal Year ended June 30	Employer Contribution Rate	Total Salary of THDA Employees	THDA Employer Contributions to TCRS	Percentage of THDA Budget
2016*	15.03/9%**	$13,316,900*	$1,938,230*	1.59%
2015	15.03/9%**	11,569,902	1,673,881	1.19
2014	15.03	11,721,300	1,761,711	1.19
2013	15.03	11,315,872	1,692,847	1.26
2012	14.91	11,005,204	1,632,095	1.36
2011	14.91	10,593,944	1,585,654	1.25
2010	13.02	9,956,646	1,295,272	1.03
2009	13.02	9,267,262	1,201,303	0.98
2008	13.66	9,602,067	1,297,298	1.02
2007	13.58	8,644,241	1,175,459	0.96

*Estimated
**Varies depending on plan the employee is enrolled in.

For the fiscal year ending June 30, 2015, the salary of THDA employees totaled $11,569,902, which represents 0.43% of the $2.69 billion of salary for all state and higher education employees in TCRS.

It is anticipated that there will be upward pressure on the employer contribution rate in the Closed State and Higher Education Employee Pension Plan in future actuarial valuations as deferred investment losses that have been actuarially smoothed are recognized over the next ten years.

Governmental Accounting Statements 67 and 68

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 67 relative to financial reporting for pension plans and Statement No. 68 relative to accounting and financial reporting for pensions for governmental entities. The statements essentially separate pension accounting from pension funding, which have historically been linked together. Statement No. 68 provides a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, Statement No. 68 provides a methodology for measuring the pension liability to be presented in the employer's financial statement. Regardless, financial statement presentation will not affect the pension funding methodologies described herein. For TCRS, Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and Statement No. 68 for the State will be effective for the fiscal year ended June 30, 2015. Based on the measurement date of June 30, 2014, and based on the actuarial valuation of June 30, 2014, the state's net pension liability is $689,948,673 while the allocation of this total to THDA is $2,960,224. The State has a pension funded ratio of 95.11%.

Other Post-Employment Benefits

Certain other GASB Statements (nos. 43 and 45) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). To date, the State has reported OPEB costs in the aggregate for all State employees. The State received an actuarial study as of July 1, 2013, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including THDA) that are required to participate in the State's retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that for the fiscal year ended June 30, 2015, the total unfunded actuarial liability of THDA is approximately $2,964,000 and the annual required contribution for THDA is approximately $356,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be reviewed at http://www.tennessee.gov/finance/act/OPEB.html. A new actuarial study is expected to be published in the fall of 2016. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge THDA for these actual costs allocable to THDA's employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

General Resolution Requirements

The General Resolution requires certain tests to be met prior to any withdrawal of funds from the lien of the General Resolution. See Appendix E. In addition, certain tests must also be met prior to any withdrawal of funds under the lien of the 1974 General Resolution, the 1985 General Resolution, and the 2009 General Resolution. THDA funds which are not pledged under the referenced Resolutions can be removed without meeting such tests.

Absence of Interest Rate Swap Transactions

THDA has never entered into an interest rate swap transaction and no such transaction is currently anticipated by THDA.

TAX MATTERS

THDA has included provisions in the Resolution, the Guide for Originating Agents issued by THDA and other relevant documents and has established procedures, including receipt of certain affidavits and warranties from Originating Agents and borrowers (the "Program Documents") in order to assure compliance with the Program Loan eligibility requirements and other requirements which must be met subsequent to the issuance of the Offered Bonds. Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with applicable federal tax law and, for such purpose, to adopt and maintain appropriate procedures. THDA believes that the procedures and documentation requirements established for the purpose of fulfilling this covenant are sufficient to assure that the proceeds of the Offered Bonds will be applied in accordance with the requirements of applicable federal tax law so as to assure that interest on the Offered Bonds will not be included in the gross income of the owners thereof for federal income tax purposes.

Opinion of Bond Counsel

In the opinion of Bond Counsel, interest on the Offered Bonds will be excluded from gross income for federal income tax purposes under existing laws as enacted and construed on the date of the issuance of the Offered Bonds, assuming the accuracy of the certifications of THDA and continuing compliance by THDA with the requirements of the federal tax laws. Bond Counsel is also of the opinion that (i) interest on the Issue 2015-2A Bonds will be treated as a preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations; (ii) interest on the Issue 2015-2B Bonds will not be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (iii) interest on the Issue 2015-2B Bonds will not be included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

Ownership of the Offered Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Offered Bonds and taxpayers otherwise eligible to claim the earned income credit. Bond Counsel expresses no opinion as to such collateral tax consequences.

Certain recipients of interest on the Offered Bonds may be subject to backup withholding under Section 3406 of the Code, unless the recipient of interest furnishes its taxpayer identification number with the payor of the interest or is otherwise exempt from backup withholding tax.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Offered Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Offered Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Offered Bonds or the market value thereof would be impacted thereby. Purchasers of the Offered Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions to be expressed by Bond Counsel will be based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Offered Bonds and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

In the opinion of Bond Counsel, under the laws of the State of Tennessee as enacted and construed on the date of issuance of the Offered Bonds, as applicable, interest on the Offered Bonds is exempt from income tax imposed by the State of Tennessee on interest income; however, the Offered Bonds and interest received thereon are included in the measure of privilege taxes imposed by the State of Tennessee.

An amount equal to the excess of the issue price of an Offered Bond sold at a premium (a "Premium Bond") over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

LEGAL INVESTMENT

The Act provides that the bonds of THDA are securities in which all public officers and bodies of the State and all municipal subdivisions, all insurance companies and associations and other persons carrying on insurance business, all banks, bankers, trust companies, including savings and loan associations, building and loan associations, investment banking companies and other persons carrying on an investment banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons who are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest in the bonds of THDA with funds, including capital, in their own control or belonging to them.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned the Offered Bonds a rating of 'Aa1' and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLP business ("S&P") has assigned the Offered Bonds a rating of 'AA+'. Such ratings reflect only the views of the respective rating agency and an explanation of the criteria for and the significance of such ratings may be obtained from Moody's and Standard & Poor's. THDA has furnished to Moody's and Standard & Poor's certain information and materials with respect to the Offered Bonds. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions made by the rating agencies. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by these rating agencies, if in the judgment of the rating agency, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

Due to the ongoing uncertainly regarding the economy of the United States of America (including, without limitation, matters such as the current and future political uncertainty regarding the United States debt limit), obligations, such as the Offered Bonds, issued by state and local governments, and instrumentalities thereof, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Offered Bonds. When certain automatic spending cuts are imposed on the federal government as a result of actions taken or not taken by the federal government (commonly referred to as a sequester) or when the federal government fails to pass certain spending authorizations prior to certain deadlines, resulting in a cessation of various governmental functions and operations (commonly referred to as a government shutdown), there may not be any immediate direct adverse impact on FHA, VA, RD or THDA. No assurance can be given, however, that a sequester or a government shutdown that lasts an extended period of time would continue to have no direct adverse impact upon the United States housing industry in general or THDA in particular.

CONTINUING DISCLOSURE

Secondary Market Disclosure

THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to bonds issued under the General Resolution, the 1985 General Resolution, and the 2009 General Resolution will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system if and when bonds are so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking

In order to comply with the requirements of Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, THDA, in the Issue 2015-2 Supplemental Resolution for the benefit of the Beneficial Owners of the Issue 2015-2 Bonds, agrees to file:

(a) With the MSRB, within 210 days after the end of each THDA fiscal year, a copy of its annual financial statements, prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board, as described in "FINANCIAL STATEMENTS" below, and an annual update of the type of information in this Official Statement (i) of the nature disclosed under "RESIDENTIAL FINANCE PROGRAM BONDS," and "RESIDENTIAL FINANCE PROGRAM LOANS" including, without limitation, information with respect to the outstanding balances of Program Loans, by mortgage type, and delinquency information, (ii) contained in Appendix F hereto and (iii) regarding annual required contributions for employee pension plan and other post-employment benefits to the extent not included in annual financial statements (collectively, "Annual Financial Information"). If unaudited financial statements are provided as part of the Annual Financial Information by the above date, then THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB;

(b) In a timely manner, not in excess of 10 business days after the occurrence of the event, with the MRSB and the Trustee, notice of the occurrence of any of the following events (if applicable) with respect to the Offered Bonds: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserve funds reflecting financial difficulties; (iv) unscheduled draws on any credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds; (vii) modifications to rights of holders of the Offered Bonds, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of THDA (which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for THDA in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of THDA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of THDA); (xiii) the consummation of a merger, consolidation, or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to (i) the MRSB and (ii) the Trustee, notice of a failure by THDA to provide the Annual Financial Information set forth in (a) above within the time limit specified above.

THDA may amend the Issue 2015-2 Supplemental Resolution, with respect to the above agreements, without the consent of the Beneficial Owners of the applicable Issue of Offered Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (2) these agreements as so amended would have complied with the requirements of the Rule as of the date of the Issue 2015-2 Supplemental Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (2) above; (4) either (i) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Offered Bonds, or (ii) the holders of the Offered Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Offered Bonds pursuant to the General Resolution as in effect on the date of the Issue 2015-2 Supplemental Resolution, and (5) THDA shall have delivered copies of such opinion(s) and the amendment to the MRSB.

THDA's obligations under these agreements as set forth in the Issue 2015-2 Supplemental Resolution terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Offered Bonds. THDA shall give notice of any such termination to the MSRB.

THDA acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit for the Beneficial Owners of the Offered Bonds whether or not the Rule applies to such Bonds. Breach of this undertaking will not be a default under the Resolution but this undertaking may be enforced by any Beneficial Owner of the Offered Bonds exclusively by an action for specific performance. This undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this undertaking shall be instituted in a court of competent jurisdiction in the State.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Offered Bonds, a certificate of THDA and an opinion of counsel will be furnished, dated the date of delivery, to the effect that there is no controversy or litigation of any nature at such time pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of THDA taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Offered Bonds or the existence or powers of THDA.

CERTAIN LEGAL MATTERS

The issuance of the Offered Bonds is subject to the delivery of the legal opinion of Kutak Rock LLP, Atlanta, Georgia, Bond Counsel with respect to legal matters incident to the authorization, issuance, sale, and delivery of the Offered Bonds in substantially the form attached hereto as Appendix I. Certain legal matters will be passed upon for THDA by its Chief Legal Counsel, Lynn E. Miller, and for the Underwriters by Hawkins Delafield & Wood LLP, New York, New York.

FINANCIAL STATEMENTS

The financial statements of THDA as of and for the year ended June 30, 2014, and June 30, 2013, included in Appendix A have been audited by the Division of State Audit in the Office of the Comptroller of the Treasury of the State of Tennessee, independent auditors, as stated in their report appearing herein.

Appendix A also contains unaudited financial information as of and for the year ended June 30, 2015. This financial information has been derived from the unaudited internal records of THDA. THDA's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

The unaudited financial information does not include the effect of *Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions*. The State of Tennessee is still working on implementation of this statement for the year ended June 30, 2015. THDA has not received the information needed from the State to include in the financials.

UNDERWRITING

Raymond James & Associates, Inc., Citigroup Global Markets Inc., RBC Capital Markets, LLC, FTN Financial Capital Markets, J.P. Morgan Securities LLC, Wells Fargo Bank, National Association, and J.J.B. Hilliard, W.L. Lyons, LLC (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the Offered Bonds from THDA at the prices indicated on the inside cover of this Official Statement. The Underwriters will be paid a fee in connection with the purchase of the Offered Bonds in an amount equal to $1,043,589.86. The obligations of the Underwriters to purchase the Offered Bonds are subject to certain conditions precedent. The Underwriters will be obligated to purchase all such Offered Bonds if any such Offered Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for THDA, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of THDA.

Citigroup, an underwriter of the Offered Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Offered Bonds.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly-owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Offered Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that such firm sells.

Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Offered Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Offered Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized. All financial and other information presented in this Official Statement has been provided by THDA from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of THDA. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. References to and summaries of provisions of the laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof. This Official Statement is not to be construed as a contract or agreement between THDA and the purchasers or holders of any of the Offered Bonds.

The information contained herein is subject to change without notice and no implication should be derived therefrom or from the issuance, as applicable, of the Offered Bonds that there has been no change in the affairs of THDA from the date hereof. Pursuant to the General Resolution, THDA has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the General Resolution and to cause such books to be audited for each fiscal year. The General Resolution requires that such books be open to inspection by the holder of any Bond during regular business hours of THDA and that THDA furnish a copy of the auditor's report, when available, upon request of the holder of any outstanding Bond. This Official Statement is submitted in connection with the sale of the securities referred to herein which are proposed to be issued by THDA. It may not be reproduced or used in part, or, as a whole or in part, for any other purpose.

TENNESSEE HOUSING DEVELOPMENT AGENCY

/s/ Brian Bills
Chairman

/s/ Ralph M. Perrey
Executive Director

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7897
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of and for the years ended June 30, 2014, and June 30, 2013, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2014, and June 30, 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the agency's internal control over financial reporting and compliance.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
November 3, 2014

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the years ended June 30, 2014, and June 30, 2013, with comparative information presented for the fiscal year ended June 30, 2012. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of the Governmental Accounting Standards Board (GASB) Statement Number 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments.* This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes.

INTRODUCTION – THE TENNESSEE HOUSING DEVELOPMENT AGENCY

The mission statement of THDA is "Leading Tennessee Home by creating safe, sound, affordable housing opportunities." THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2014, THDA has originated over 115,000 single-family mortgage loans in its 41-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 75 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 400 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

More recently, THDA has administered programs under the American Recovery and Reinvestment Act of 2009 (ARRA), including the Homeless Prevention and Rapid Re-Housing Program (HPRP), the Tax Credit Assistance Program (TCAP), the Neighborhood Stabilization Program (NSP), and a Low Income Housing Tax Credit exchange program under Section 1602 of the Act.

As established by statute, "The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . ." (*Tennessee Code Annotated 13-23-105*). This board meets regularly on a bi-monthly basis; however, some committees may meet more often as situations dictate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows, as well as notes to the financial statements. The statements of net position provide financial information on the overall financial position of THDA at each year end. The statements of revenues, expenses, and changes in net position summarize the results of operations over the course of each fiscal year. The statements of cash flows provide relevant information about THDA's cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discreetly presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at www.tn.gov/finance/act/cafr.shtml.

During fiscal year 2013, THDA implemented several accounting standards, including GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities.* Among the requirements of these pronouncements, GASB Statement 63 required the reclassification of net assets to net position; as well as the reclassification of certain deferred amounts to new categories called deferred outflows of resources and deferred inflows of resources. As applicable to THDA, deferred amounts from bond refundings, which were previously reported as a component of bonds payable (noncurrent), are now reported as deferred outflows of resources. In addition, bond issuance costs, which previously was reported as an asset (deferred charges) and amortized over the life of the bonds, is now recognized as expense in the period when incurred. GASB Statement 65 required retroactive implementation and reporting for all financial periods presented; therefore, beginning net position for fiscal year 2012 was restated to reflect the retroactive application of GASB Statement 65.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2014

- Total assets decreased by $162.7 million, or 6.0%.
- Deferred outflows of resources decreased $1.0 million, or 45.3%.
- Total liabilities decreased by $164.2 million, or 7.5%.
- Net position was $526.9 million. This is an increase of $0.5 million, or 0.1%, from fiscal year 2013.
- Cash and cash equivalents decreased by $130.9 million, or 32.4%.
- Total investments decreased by $31.2 million, or 11.0%.
- Bonds payable decreased by $152.5 million, or 7.1%.
- THDA originated $227.3 million in new loans, which is a decrease of $15.1 million, or 7.1%, from the prior year.

Year Ended June 30, 2013

- Total assets increased by $102.4 million, or 3.9%.
- Deferred outflows of resources decreased $0.2 million, or 6.5%.
- Total liabilities increased by $119.3 million, or 5.7%.
- Net position was $526.5 million. This is a decrease of $17.0 million, or 3.1%, from fiscal year 2012.
- Cash and cash equivalents increased by $150.7 million, or 59.4%.
- Total investments increased by $56.9 million, or 25.0%.
- Bonds payable increased by $116.5 million, or 5.8%.
- THDA originated $212.2 million in new loans, which is a decrease of $23.6 million, or 10.0%, from the prior year.

FINANCIAL ANALYSIS OF THE AGENCY

Net Position. The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2014	2013	2012
Current assets	$ 400,662	$ 495,605	$ 314,268
Capital assets	626	194	113
Other noncurrent assets	2,163,308	2,231,487	2,310,506
Total assets	2,564,596	2,727,286	2,624,887
Deferred outflows of resources	1,250	2,287	2,445
Current liabilities	171,907	303,224	207,708
Noncurrent liabilities	1,867,011	1,899,882	1,876,123
Total liabilities	2,038,918	2,203,106	2,083,831
Invested in capital assets	626	194	114
Restricted net position	449,905	489,105	503,563
Unrestricted net position	76,397	37,168	39,824
Total net position	$ 526,928	$ 526,467	$ 543,501

2014 to 2013

- THDA's total net position increased by $0.5 million, or 0.1%, from $526.5 million at June 30, 2013 to $526.9 million at June 30, 2014. While various factors accounted for this change, the most significant factors include an increase in investment income, an increase in the net increase/decrease in the fair value of investments, and a decrease in bonds payable.

- Mortgage loans receivable decreased by $21.0 million or 1.1% from $1,987.3 million on June 30, 2013 to $1,966.3 million on June 30, 2014. During FY 2014, single-family mortgage loan originations increased by $15.1 million or 7.1% from $212.2 million at June 30, 2013 to $227.3 million at June 30, 2014. Mortgage loan prepayments and repayments decreased by $22.1 million or 8.3% from $267.3 million at June 30, 2013 to $245.3 million at June 30, 2014.

- Total liabilities decreased $164.2 million or 7.5% from $2,203.1 million on June 30, 2013 to $2,038.9 million on June 30, 2014. The decrease is primarily due to a decrease in the amount of bonds issued during fiscal year 2014 as compared to fiscal year 2013, as well as an increase in the redemption of bonds, due to more frequent bond calls, as compared to fiscal year 2013.

2013 to 2012

- THDA's total net position decreased by $17.0 million, or 3.1%, from $543.5 million at June 30, 2012, to $526.5 million at June 30, 2013. While various factors accounted for this change, the most significant factors include a decrease in mortgage interest income, a decrease in the net increase/decrease in the fair value of investments, and an increase in bonds payable.

- Mortgage loans receivable decreased by $109.3 million, or 5.2%, from $2,096.6 million on June 30, 2012, to $1,987.3 million on June 30, 2013. During FY 2013, single-family mortgage loan originations decreased by $23.6 million, or 10.0%, from $235.7 million at June 30, 2012, to $212.2 million at June 30, 2013. Conversely, mortgage loan prepayments and repayments increased by $58.3 million, or 28.0% from $209.0 million at June 30, 2012, to $267.3 million on June 30, 2013.

- Total liabilities increased $119.3 million, or 5.7%, from $2,083.8 million at June 30, 2012, to $2,203.1 million at June 30, 2013. The increase is primarily due to an increase in the amount of bonds issued during fiscal year 2013 as compared to fiscal year 2012, as well as a small decrease in the redemption of bonds as compared to fiscal year 2012.

Changes in Net Position. The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2014	2013	2012
Operating revenues			
Mortgage interest income	$ 102,108	$ 109,158	$ 116,015
Investment income	6,346	(4,346)	11,992
Other	19,027	17,865	17,693
Total operating revenues	127,481	122,677	145,700
Operating expenses			
Interest expense	70,390	78,643	86,020
Other	42,941	41,982	41,298
Total operating expenses	113,331	120,625	127,318
Operating income	14,150	2,052	18,382
Nonoperating revenues (expenses)			
Grant revenues	295,814	237,638	260,371
Payment from primary government	-	-	34,500
Grant expenses	(309,503)	(256,724)	(274,977)
Total nonoperating revenues (expenses)	(13,689)	(19,086)	19,894
Change in net position	$ 461	$ (17,034)	$ 38,276

2014 to 2013

Total operating revenues increased $4.8 million, or 3.9%, from $122.7 million for the year ended June 30, 2013, to $127.5 million for the year ended June 30, 2014. The primary reasons for this increase are as follows:

- Investment income increased $10.7 million or 247.0% from a net loss of $4.3 million in 2013 to $6.3 million in 2014, due to the net increase in the fair value of investments by $10.7 million.

- Mortgage interest income decreased $7.1 million, or 6.4%, from $109.2 million in 2013 to $102.1 million in 2014. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $7.3 million, or 6.0%, from $120.6 million in fiscal year 2013 to $113.3 million in fiscal year 2014. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

2013 to 2012

Total operating revenues decreased $23.0 million, or 15.8%, from $145.7 million for the year ended June 30, 2012, to $122.7 million for the year ended June 30, 2013. The primary reasons for this decrease are as follows:

- Investment income decreased $16.3 million, or 136.2%, from $12.0 million in 2012 to a net loss of $4.3 million in 2013. While interest income from investments decreased marginally, THDA experienced a net decrease in the fair value of investments of $15.2 million in fiscal year 2013, as compared to a net increase in the fair value of investments of $0.3 million in fiscal year 2012.

- Mortgage interest income decreased $6.9 million, or 5.9%, from $116.0 million in 2012 to $109.1 million in 2013. This is due to mortgage loan prepayments exceeding the amount of mortgage loan originations. Likewise, new mortgage loan originations typically have lower interest rates than those associated with mortgage loan repayments.

- Total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in fiscal year 2012 to $120.6 million in fiscal year 2013. A leading factor in this decrease is a decrease in interest expense, due to the use of mortgage loan prepayments to redeem bonds in advance of their maturities, as well as refunding outstanding bonds with new bonds bearing a lower interest rate.

For the year ended June 30, 2013, total operating expenses decreased $6.7 million, or 5.3%, from $127.3 million in 2012 to $120.6 million in 2013. The decrease is not significant.

DEBT ACTIVITY

Bonds outstanding at June 30 were as follows (expressed in thousands):

	2014	2013	2012
Bonds payable	$ 1,984,298	$ 2,136,806	$ 2,020,302

Year Ended June 30, 2014

Total bonds and notes payable decreased $152.5 million, or 7.1%, due primarily to a decrease in the amount of bonds issued as well as an increase in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $277.8 million, with activity arising from two bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $61.8 million of outstanding bonds into new bond originations with lower interest rates.

Year Ended June 30, 2013

Total bonds and notes payable increased $116.5 million, or 5.8%, due primarily to an increase in the amount of bonds issued as well as a decrease in the redemption of bonds as compared to recent fiscal years. During the fiscal year, THDA issued debt totaling $456.7 million, with activity arising from three bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded $66.5 million of outstanding bonds into new bond originations with lower interest rates.

New Issue Bond Program (NIBP)
The New Issue Bond Program (NIBP) provides temporary financing for Housing Finance Agencies (HFAs) to issue new housing bonds to fund new mortgages. The United States Treasury Department will purchase securities of Fannie Mae and Freddie Mac backed by these new housing bonds. This will temporarily allow the HFAs to issue an amount of new housing bonds equal to what they would ordinarily be able to issue with the allocations provided them by Congress but are generally unable to issue given the current challenges in housing and related markets.

On December 23, 2009, THDA issued $360 million of bonds under the NIBP, which were $60 million (Bond Issue 2009-A2) and $300 million (Bond Issue 2009-B1). The $300 million 2009-B1 bonds are variable-rate taxable debt, and are to be held in escrow. Upon being placed in escrow, the proceeds from these bonds are re-invested into permissible investments as required by the United States Treasury Department (generally, 28-day Treasury Bills purchased at auction). These bonds are scheduled to be released from escrow, re-designated and be converted to fixed-rate, tax-exempt bonds upon the issuance of market bonds within the framework and guidelines of the NIBP. Subsequently, THDA released, re-designated, and converted escrowed bonds (Bond Issue 2009-B) into fixed-rate, tax-exempt bonds as noted:

Date	Amount	New Bond Issue
June 17, 2010	$ 56,860,000	Bond Issue 2010-A1
	17,850,000	Bond Issue 2010-A2
	85,290,000	Bond Issue 2009-B, Subseries B-1
October 27, 2010	40,000,000	Bond Issue 2010-B
	60,000,000	Bond Issue 2009-B, Subseries B-2
March 24, 2011	40,000,000	Bond Issue 2011-A
	60,000,000	Bond Issue 2009-B, Subseries B-3
August 25, 2011	40,000,000	Bond Issue 2011-B
	60,000,000	Bond Issue 2009-B, Subseries B-4
November 03, 2011	65,290,000	Bond Issue 2011-C
	34,710,000	Bond Issue 2009-B, Subseries B-5

As of June 30, 2012, all of the bonds issued under issue 2009-B1 had been released, re-designated, and converted into fixed-rate, tax-exempt bonds.

Bond Ratings
For bonds issued under the Mortgage Finance Program, Moody's Investors Service, Inc. ("Moody's") has assigned THDA's bonds a rating of Aa2, and Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc. has assigned THDA's bonds a rating of AA.

For bonds issued under the Homeownership Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1, and S&P has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

There were no revisions to THDA's bond ratings during FY 2014 or FY 2013.

Debt Limits

In accordance with *Tennessee Code Annotated,* 13-23-121, THDA operates under a "debt ceiling" of $2,930,000,000.

GRANT PROGRAMS

During FY 2007 through FY 2009, the General Assembly has appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors has allocated additional THDA funds for grants. These funds established a grant program that has been titled by the THDA as the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	FY 2014	FY 2013	FY 2012	FY 2011 and Prior	Total
Funding Sources:					
THDA	$ 9,300,000	$ 6,500,000	$ 6,500,000	$ 30,000,000	$ 52,300,000
State Appropriation	-	-	-	4,350,000	4,350,000
Totals	**$ 9,300,000**	**$ 6,500,000**	**$ 6,500,000**	**$ 34,350,000**	**$ 56,650,000**
Approved Uses:					
Rural repair program (USDA)	$ 700,000	$ 700,000	$ 700,000	$ 3,500,000	$ 5,600,000
Ramp Program (UCP)	-	-	-	50,000	50,000
Ramp Program	-	-	-	400,000	400,000
Hsg Modification & Ramp Prg	150,000	150,000	150,000	300,000	750,000
Homebuyer Education Initiative	-	-	-	300,000	300,000
Emergency Repairs for Elderly	-	-	2,000,000	10,000,000	12,000,000
Emergency Repairs	2,000,000	-	-	-	2,000,000
Competitive Grants	3,850,000	5,150,000	3,150,000	19,800,000	31,950,000
Pilot Program Manufactured Hsg	-	500,000	500,000	-	1,000,000
Dunlap New Hope	300,000	-	-	-	300,000
Rebuild & Recover	2,300,000	-	-	-	2,300,000
Totals	**$ 9,300,000**	**$ 6,500,000**	**$ 6,500,000**	**$ 34,350,000**	**$ 56,650,000**

In addition to the above funding, local grants could produce an additional $4 million or more in funding each year. Also, the Emergency Repairs for the Elderly program and the Competitive Grants have a 50% grantee match requirement.

THDA is seeking additional private sector funding. In addition to the above approved uses, THDA received requests that merit funding. These requests totaled approximately $6 million more than the funds available.

CURRENT MORTGAGE PRODUCTS AND ENVIRONMENT

In October of 2013, THDA made a significant change to its mortgage lending program. On October 1, 2013, the *Great Choice* and the *Great Choice Plus* loan programs were introduced and the *Great Rate*, *Great Advantage* and *Great Start* loan programs were eliminated. The *Great Choice* loan program offers THDA the opportunity to offer a more competitive interest rate on its 30 year fixed rate mortgage product while still offering down payment assistance with the addition of the *Great Choice Plus* loan program which is a second mortgage at a 0% interest rate for a term of 10 years.

A special interest rate reduction on *Great Choice* loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. This special offer, referred to as "*Homeownership for the Brave*", provides a 0.5% rate reduction on the current interest rate for *Great Choice* loans. In addition to the rate reduction, "*Homeownership for the Brave*" applicants are eligible for optional down payment and closing cost assistance through the *Great Choice Plus* second mortgage loan at a 0% interest rate.

All loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages (ARMs), interest-only mortgages, "buy-down" loans, mortgages with a future lump-sum payment due (balloon-type mortgage), or with other similar mortgage terms. THDA does not make or purchase "sub-prime" mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development
- VA (Veterans Administration Guaranty Program)
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration)
- Private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers, who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by Standard & Poor's Rating Group. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have loan-to-value ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed chart of these mortgage loan products and primary mortgage loan terms may be obtained from THDA's internet site at http://www.thda.org/index.aspx?NID=8.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2014, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	24,696	476	36,569,088	1.93%
90+ Days Past Due	24,696	1,284	102,510,630	5.20%
In Foreclosure	24,696	485	37,182,049	1.97%

As of June 30, 2013, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount	Percentage
60-89 Days Past Due	25,265	554	40,491,422	2.19%
90+ Days Past Due	25,265	1,181	89,505,286	4.67%
In Foreclosure	25,265	550	45,013,301	2.18%

Note: Percentage is calculated by dividing the "Number of Loans in Status" by the "Total Number of Loans Serviced."

ECONOMIC FACTORS

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a bench-mark, THDA uses the one-, three-, and five-year Constant Maturity Treasury (CMT) rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increased the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

CONTACTING THDA's FINANCIAL MANAGEMENT

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report, or need additional financial information, contact Trent Ridley, Chief Financial Officer at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 265,058	$ 382,434
Investments (Note 2)	17,006	15,310
Receivables:		
Accounts	32,941	18,155
Interest	13,896	13,435
First mortgage loans	52,087	51,350
Due from federal government	19,668	14,921
Prepaid expenses	6	-
Total current assets	400,662	495,605
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	8,345	21,897
Investments (Note 2)	189,307	200,346
Investment interest receivable	1,689	1,753
Investments (Note 2)	46,692	68,533
First mortgage loans receivable	1,914,213	1,935,924
Advance to local government	3,062	3,034
Capital assets:		
Furniture and equipment	1,437	697
Less accumulated depreciation	(811)	(503)
Total noncurrent assets	2,163,934	2,231,681
Total assets	2,564,596	2,727,286
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refundings	1,250	2,287
Total deferred outflows of resources	1,250	2,287
LIABILITIES		
Current liabilities:		
Accounts payable	5,755	1,642
Accrued payroll and related liabilities	612	535
Compensated absences	587	600
Due to primary government	72	71
Interest payable	36,502	40,279
Escrow deposits	82	172
Prepayments on mortgage loans	1,293	986
Due to federal government	4,314	17,619
Bonds payable (Note 4)	122,690	241,320
Total current liabilities	171,907	303,224
Noncurrent liabilities:		
Bonds payable (Note 4)	1,861,608	1,895,486
Compensated absences	623	630
Net OPEB obligation (Note 9)	1,413	1,303
Escrow deposits	2,138	2,463
Arbitrage rebate payable	1,229	-
Total noncurrent liabilities	1,867,011	1,899,882
Total liabilities	2,038,918	2,203,106
NET POSITION		
Net investment in capital assets	626	194
Restricted for single family bond programs (Note 5 and Note 7)	434,000	472,570
Restricted for grant programs (Note 5)	12,752	13,382
Restricted for Homebuyers Revolving Loan Program (Note 5)	3,153	3,153
Unrestricted (Note 7)	76,397	37,168
Total net position	$ 526,928	$ 526,467

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
OPERATING REVENUES		
Mortgage interest income	$ 102,108	$ 109,158
Investment income:		
Interest	10,682	10,881
Net (decrease) in the fair value of investments	(4,336)	(15,227)
Federal grant administration fees	16,556	15,586
Fees and other income	2,471	2,279
Total operating revenues	127,481	122,677
OPERATING EXPENSES		
Salaries and benefits	16,578	16,083
Contractual services	5,973	3,930
Materials and supplies	1,250	493
Rentals and insurance	94	115
Other administrative expenses	527	445
Other program expenses	8,878	9,926
Interest expense	70,390	78,643
Mortgage service fees	7,165	7,291
Issuance costs	2,167	3,639
Depreciation	309	60
Total operating expenses	113,331	120,625
Operating income	14,150	2,052
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue	295,814	237,638
Federal grants expenses	(292,523)	(237,352)
Local grants expenses	(16,980)	(19,372)
Total nonoperating revenues (expenses)	(13,689)	(19,086)
Change in net position	461	(17,034)
Total net position, July 1	526,467	543,501
Total net position, June 30	$ 526,928	$ 526,467

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
Cash flows from operating activities:		
Receipts from customers	$ 334,953	$ 429,234
Receipts from federal government	16,592	15,344
Other miscellaneous receipts	2,471	2,279
Acquisition of mortgage loans	(227,296)	(212,166)
Payments to service mortgages	(7,165)	(7,291)
Payments to suppliers	(11,935)	(14,366)
Payments to employees	(16,720)	(16,123)
Net cash provided by operating activities	90,900	196,911
Cash flows from non-capital financing activities:		
Operating grants received	277,657	241,162
Proceeds from sale of bonds	277,828	456,741
Operating grants paid	(308,612)	(256,797)
Cost of issuance paid	(2,167)	(3,639)
Principal payments	(425,215)	(336,030)
Interest paid	(78,251)	(86,039)
Net cash provided (used) by non-capital financing activities	(258,760)	15,398
Cash flows from capital and related financing activities:		
Purchases of capital assets	(740)	(141)
Net cash used by capital and related financing activities	(740)	(141)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	99,486	287,825
Purchases of investments	(72,649)	(359,985)
Investment interest received	10,825	10,694
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	10	14
Net cash provided (used) by investing activities	37,672	(61,452)
Net increase (decrease) in cash and cash equivalents	(130,928)	150,716
Cash and cash equivalents, July 1	404,331	253,615
Cash and cash equivalents, June 30	$ 273,403	$ 404,331

(continued)

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS (cont.)
FOR THE YEARS ENDED JUNE 30, 2014, AND JUNE 30, 2013
(Expressed in Thousands)

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 14,150	$ 2,052
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	309	60
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(14,786)	834
(Increase) in mortgage interest receivable	(538)	(709)
Decrease in first mortgage loans receivable	20,946	109,306
(Increase) decrease in due from federal government	33	(242)
Increase (Decrease) in accounts payable	3,107	(1,258)
Increase in accrued payroll / compensated absences	167	240
Increase in due to primary government	72	-
Increase in arbitrage rebate liability	1,229	-
Investment income (loss) included as operating revenue	(6,346)	4,346
Interest expense included as operating expense	70,390	78,643
Issuance cost included as operating expense	2,167	3,639
Total adjustments	76,750	194,859
Net cash provided by operating activities	$ 90,900	$ 196,911
Noncash investing, capital, and financing activities:		
(Decrease) in fair value of investments	$ (4,336)	$ (14,037)
Total noncash investing, capital, and financing activities	$ (4,336)	$ (14,037)

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Tennessee Housing Development Agency was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 et seq. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as *ex officio* board members of the Agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state, and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and 24 CFR Part 964, Subpart E. *Tennessee Code Annotated* Section 13-23-101 et seq. was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

The Tennessee Housing Development Agency is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

c. Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

d. Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of $5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

Description	Estimated Life
Furniture	10 years
Computer equipment	3 years

e. Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds and the Bond Reserve Funds.

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

f. Deferred Amount on Refundings and Bond Premiums and Discounts

1. Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

2. Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

g. Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

h. Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S., public housing bonds secured by contracts with the U.S., direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody’s Investor Service or Standard & Poor's Corporation, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

i. Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

j. Mortgages

Mortgages are carried at their original amount less collected principal.

k. Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency's primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding.

NOTE 2. DEPOSITS AND INVESTMENTS

a. Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2014, the bank balance was $4,872,373. At June 30, 2013, the bank balance was $18,982,252. All bank balances at June 30, 2014, and June 30, 2013, were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury requires the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of $250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2014, $4,545,816 was in the BNYM. Of this amount, $4,295,816 exceeded the FDIC insurance coverage. Of the bank balance at June 30, 2013, $18,490,778 was in the BNYM. Of this amount, $18,240,778 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State

Treasurer. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the *State of Tennessee Treasurer's Report.* That report is available on the state's website at www.treasury.tn.gov.

b. Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the par value of total investments must mature within five years. No more than 50% of the par value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2014		June 30, 2013	
Investment Type	**Fair Value**	**Effective Duration (Years)**	**Fair Value**	**Effective Duration (Years)**
U.S. Agency Coupon	$156,546,020	2.713	$183,618,170	2.660
U.S. Treasury Coupon	81,458,618	3.010	85,574,572	3.899
U.S. Agency Discount	185,126,090	0.033	151,647,000	0.051
Total	$423,130,728	1.598	$420,839,742	1.972

The portfolios include the following investments, stated at par or face value, which have fair values highly sensitive to interest rate changes. These investments are recorded at fair value in the statement of net position.

Variable Rate Bonds

The agency purchased $2,350,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.75 of par on June 11, 2012, and mature on June 11, 2027. The fair value of these securities on June 30, 2014, is $2,221,859, and on June 30, 2013, was $2,186,370, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016, to 3.0% on June 11, 2020; to 4.0% on June 11, 2022; to 6.0% on June 11, 2023; to 7.0% on June 11, 2024; to 8.0% on December 11, 2024; to 10.0% on June 11, 2025; to 12.0% on December 11, 2025; to 14.0% on June 11, 2026; and to 16.0% on December 11, 2026.

The agency purchased $3,210,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on June 28, 2012, and mature on June 27, 2027. The fair value of these securities on June 30, 2014 is $3,110,387, and on June 30, 2013 was $2,990,898, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 28, 2015; to 3.0% on June 28, 2018; to 4.0% on June 28, 2021; to 5.0% on June 28, 2023; and to 6.5% on June 28, 2025.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 100.12 of par on November 15, 2012 and mature on June 11, 2027. The fair value of these securities on June 30, 2014 is $2,836,416, and on June 30, 2013, was $2,791,110, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.5% on June 11, 2016; to 3.0% on June 11, 2020; to 4.0% on June 11, 2022; to 6.0% on June 11, 2023; to 7.0% on June 11, 2024; to 8.0% on December 11, 2024; to 10.0% on June 11, 2025; to

12.0% on December 11, 2025; to 14.0% on June 11, 2026; and to 16.0% on December 11, 2026.

The agency purchased $4,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.80 of par on November 8, 2012 and mature on November 8, 2027. The fair value of these securities on June 30, 2014 is $3,712,532, and on June 30, 2013, was $3,678,796, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on November 8, 2017, and to 4.0% on November 8, 2022. This investment is callable quarterly beginning February 8, 2013, and ending November 8, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.45 of par on November 23, 2012, and mature on November 23, 2027. The fair value of these securities on June 30, 2014 is $2,562,837, and on June 30, 2013, was $2,746,311, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.125% on November 23, 2017; to 2.25% on November 23, 2020; to 2.5% on November 23, 2023; to 3.0% on November 23, 2024; to 4.0% on May 23, 2025; to 6.0% on November 23, 2025; to 8.0% on May 23, 2026; to 11.0% on November 23, 2026; and to 14% on May 23, 2027. This investment is callable quarterly beginning May 23, 2013, and ending November 23, 2015.

The agency purchased $2,400,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.65 of par on December 21, 2012 and mature on December 21, 2027. The fair value of these securities on June 30, 2014 is $2,157,096, and on June 30, 2013, was $2,231,131, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on December 21, 2017; to 2.5% on December 21, 2020; to 3.0% on December 21, 2022; to 4.0% on December 21, 2023; to 5.0% on December 21, 2024; to 6.0% on December 21, 2025; to 8.0% on June 21, 2026; to 10.0% on December 21, 2026; and to 12.0% on June 21, 2027. This investment is callable quarterly beginning June 21, 2013, and ending December 21, 2018.

The agency purchased $2,750,000 in step-up rate bonds issued by Federal Home Loan Bank. They were purchased at 99.90 of par on January 30, 2013 and mature on January 30, 2025. The fair value of these securities on June 30, 2014 is $2,646,001, and on June 30, 2013, was $2,612,555, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 2.25% on January 30, 2018; to 2.5% on January 30, 2021; to 3.0% on January 30, 2022; to 5.0% on January 30, 2023; to 7.0% on July 30, 2023; and to 9.0% on January 30, 2024. This investment is callable quarterly beginning July 30, 2013, and ending October 30, 2016.

The agency purchased $650,000 in step-up rate bonds issued by Federal Home Loan Mortgage Corporation. They were purchased at 101.55 of par on September 6, 2012. Although these securities were scheduled to mature on August 26, 2025, these bonds were called on August 26, 2013. The fair value of these securities on June 30, 2013, was $651,348, which is included in U.S. Agency Coupon in the table above.

The agency purchased $1,500,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 100.18 of par on November 7, 2012, and mature on June 28, 2027. The fair value of these securities on June 30, 2014 is $1,482,593, and on June 30, 2013, was $1,426,929, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 4.0% on June 28, 2017; to 5.0% on June 28, 2024; and to 6.5% on June 28, 2026. This investment is callable quarterly beginning December 28, 2012, and ending December 28, 2015.

The agency purchased $2,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at 99.70 of par on August 27, 2012, and mature on August 27, 2027. The fair value of these securities on June 30, 2014 is $1,909,610, and on June 30, 2013, was $1,919,370, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 1.5% with a step-up option to 2.5% on August 27, 2015; to 3.5% on August 27, 2018; to 4.5% on August 27, 2021; and to 5.5% on August 27, 2024. This investment is callable quarterly beginning August 27, 2012, and ending November 27, 2015.

The agency purchased $5,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012, and mature on December 27, 2027. The fair value of these securities on June 30, 2014 is $4,759,185, and on June 30, 2013, was $4,694,220, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 1.0% with a step-up option to 2.0% on June 27, 2013, and to 3.15% on December 27, 2013. This investment is callable quarterly beginning June 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 27, 2012, and mature on December 27, 2017. The fair value of these securities on June 30, 2014 is $2,995,674, and on June 30, 2013, was $2,945,187, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 0.6% with a step-up option to 0.7% on December 27, 2014; to 1.0% on December 27, 2015; to 1.5% on December 27, 2016; and to 3.0% on June 27, 2017. This investment is callable quarterly beginning December 27, 2013, and ending December 27, 2016.

The agency purchased $3,000,000 in step-up rate bonds issued by Federal National Mortgage Association. They were purchased at par on December 28, 2012, and mature on December 28, 2027. The fair value of these securities on June 30, 2014 is $2,788,104, and on June 30, 2013, was $2,813,145, included in U.S. Agency Coupon in the tables above. This investment has a stated coupon rate of 2.0% with a step-up option to 3.0% on December 28, 2017; to 4.0% on December 28, 2020; to 5.0% on December 28, 2024; and to 6.0% on December 28, 2025. This investment is callable quarterly beginning June 28, 2013, and ending December 28, 2017.

Credit Risk Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to Note 1. h for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2014, and June 30, 2013, are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

June 30, 2014						
			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury[1]**	**AA+**	**A-1**	**AA-2**	**Not Rated[2]**
U.S. Agency Coupon	$156,546,020		$140,991,257		$4,867,772	$10,686,991
U.S. Treasury Coupon	81,458,618	$81,458,618				
U.S. Agency Discount	185,126,090			$160,126,740		24,999,350
Total	$423,130,728	$81,458,618	$140,991,257	$160,126,740	$4,867,772	$35,686,341

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

June 30, 2013						
			Credit Quality Rating			
Investment Type	**Fair Value**	**U.S. Treasury**[1]	**AA+**	**A-1**	**AA-2**	**Not Rated**[2]
U.S. Agency Coupon	$183,618,170		$167,220,366		$5,114,633	$11,283,171
U.S. Treasury Coupon	85,574,572	$85,574,572				
U.S. Agency Discount	151,647,000			$131,647,320		19,999,680
Total	$420,839,742	$85,574,572	$167,220,366	$131,647,320	$5,114,633	$31,282,851

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than 5% of the agency's investments are invested in the following single issuers:

	June 30, 2014		June 30, 2013	
Issuer	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Federal Home Loan Bank	$222,526,613	52.59	$173,049,950	41.12
Federal Home Loan Mortgage Corp	$0	N/A	$42,892,295	10.19
Federal National Mortgage Assoc.	$81,963,986	19.37	$95,869,861	22.78

NOTE 3. ACCOUNTING CHANGE

During the year ended June 30, 2013, the agency implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

Implementation of GASB 62 did not have any financial reporting impact to the agency. Implementation of GASB 63 required the reclassification of net assets to net position, and it

[1]This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

[2]This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

also required the deferred amount on refundings to be classified as a deferred outflow of resources. Implementation of GASB 65 recognizes bond cost of issuance as an expense.

NOTE 4. LIABILITIES

a. Bonds Issued and Outstanding

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
MORTGAGE FINANCE PROGRAM BONDS					
2003A	7/1/2004-7/1/2034	$191,885	1.70 to 5.35	$ -0-	$48,965

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
HOMEOWNERSHIP PROGRAM BONDS					
2004-1	1/1/2005-1/1/2035	80,000	1.30 to 5.00	-0-	28,185
2004-2	7/1/2005-1/1/2035	100,000	1.85 to 5.25	-0-	38,435
2004-3	1/1/2006-7/1/2035	100,000	2.55 to 5.125	31,010	39,070
2005-1	7/1/2006-1/1/2036	100,000	2.75 to 5.00	35,955	46,605
2005-2	1/1/2007-7/1/2036	100,000	3.00 to 5.00	33,675	43,960
2006-1	7/1/2007-1/1/2037	100,000	3.55 to 5.75	31,585	44,500
2006-2	7/1/2007-1/1/2037	100,000	3.90 to 5.75	29,610	41,175
2006-3	1/1/2008-7/1/2037	100,000	3.65 to 5.75	39,555	49,935
2007-1	7/1/2008-1/1/2038	100,000	3.65 to 5.50	42,840	53,755
2007-2	7/1/2008-7/1/2038	120,000	3.75 to 5.25	53,980	71,385
2007-3	1/1/2009-7/1/2038	150,000	3.85 to 5.50	64,930	81,950
2007-4	1/1/2009-7/1/2038	150,000	3.75 to 5.50	72,120	90,360
2008-1	7/1/2009-1/1/2039	60,000	2.45 to 5.70	26,695	33,675
2008-2	7/1/2009-1/1/2027	50,000	3.25 to 5.75	2,660	11,915
2008-3	7/1/2009-7/1/2038	90,000	2.00 to 5.45	32,490	47,790
2008-4	1/1/2010-7/1/2028	30,000	3.125 to 6.125	-0-	2,975
2009-1	1/1/2010-7/1/2029	50,000	0.75 to 5.00	31,935	36,870
2009-2	7/1/2010-7/1/2030	75,000	0.90 to 5.00	48,935	59,395
2010-1	1/1/2011-7/1/2025	120,700	0.35 to 4.50	73,055	87,655
2011-1	7/1/2012-7/1/2042	141,255	0.60 to 4.65	108,415	125,005
2012-1	1/1/2013-7/1/2042	133,110	0.80 to 4.50	115,380	127,265
2012-2	7/1/2013-7/1/2043	97,625	0.50 to 4.00	90,490	96,960
Total Homeownership Program Bonds		$2,147,690		$965,315	$1,258,820
Plus: Unamortized Bond Premiums				10,214	14,419
Less: Unamortized Bond Discount				(169)	(218)
Net Homeownership Program Bonds				$975,360	$1,273,021

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
HOUSING FINANCE PROGRAM BONDS					
2009-A	1/1/2011-1/1/2040	$100,000	0.90 to 4.625	$72,555	$83,295
2010-A	1/1/2011-7/1/2041	160,000	0.60 to 5.00	114,125	133,945
2010-B	7/1/2011–7/1/2041	100,000	0.45 to 4.50	82,385	91,245
2011-A	7/1/2011-7/1/2041	100,000	0.45 to 4.50	78,405	90,730
2011-B	7/1/2012-7/1/2041	100,000	0.25 to 4.50	88,890	96,980
2011-C	7/1/2012-7/1/2041	100,000	0.40 to 4.30	90,115	97,020
Total Housing Finance Program Bonds		$660,000		$526,475	$593,215
Plus: Unamortized Bond Premiums				1,357	1,829
Net Housing Finance Program Bonds				$527,832	$595,044

BONDS ISSUED AND OUTSTANDING
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)	Ending Balance 6/30/2014	Ending Balance 6/30/2013
RESIDENTIAL FINANCE PROGRAM BONDS					
2013-1	1/1/2014-7/1/2043	$215,905	0.40 to 4.00	$199,900	$215,905
2013-2	7/1/2014-7/1/2043	121,300	0.45 to 4.65	121,300	-0-
2014-1	1/1/2015-7/1/2039	150,000	0.32 to 4.00	150,000	-0-
Total Residential Finance Program Bonds		$487,205		$471,200	$215,905
Plus: Unamortized Bond Premiums				9,906	3,871
Net Residential Finance Program Bonds				$481,106	$219,776
Net Total All Issues				$1,984,298	$2,136,806

Housing Finance Program Bonds The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program (NIBP), which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of $85,290,000. The $85,290,000 was blended with the market rate 2010-A bonds in the amount of $74,710,000 for a total of $160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2010-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-A bonds in the amount of $40,000,000 for a total of $100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of $60,000,000. The $60,000,000 was blended with the market rate 2011-B bonds in the amount of $40,000,000 for a total of $100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of $34,710,000. The $34,710,000 was blended with the market rate 2011-C bonds in the amount of $65,290,000 for a total of $100,000,000.

b. Debt Service Requirements

Debt service requirements to maturity at June 30, 2014, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2015	$139,455	$72,622	$212,077
2016	56,210	70,196	126,406
2017	57,190	68,863	126,053
2018	56,315	67,338	123,653
2019	54,550	65,707	120,257
2020 – 2024	249,355	302,779	552,134
2025 – 2029	278,485	249,077	527,562
2030 – 2034	256,105	194,321	450,426
2035 – 2039	343,460	142,690	486,150
2040 – 2044	471,865	45,677	517,542
Total	$1,962,990	$1,279,270	$3,242,260

c. Redemption of Bonds and Notes

During the year ended June 30, 2014, bonds were retired at par before maturity in the Homeownership Program in the amount of $217,425,000, in the Housing Finance Program in the amount of $60,775,000, and in the Residential Finance Program in the amount of $15,555,000. The respective carrying values of the bonds were $221,007,463, $61,136,292 and $15,821,689. This resulted in revenue to the Homeownership Program of $3,582,463, to the Housing Finance Program of $361,292, and to the Residential Finance Program of $266,689.

On May 30, 2013, the agency issued $215,905,000 in Residential Finance Program Bonds, Issue 2013-1. On July 1, 2013, the agency used $75,905,000 of these bonds to refund bonds previously issued in the Mortgage Finance Program (this amount consists of $47,985,000 early redemption) and Homeownership Program (this amount consists of $27,920,000 early redemption). The carrying amount of these bonds was $75,905,000. The refunding reduced the agency's debt service by $8,688,786 over the next 18 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $9,063,606.

On November 19, 2013, the agency issued $121,300,000 in Residential Finance Program Bonds, Issue 2013-2. On January 1, 2014, the agency used $31,300,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $31,300,000 early redemption). The carrying amount of these bonds was $31,300,000. The refunding increased the agency's debt service by $1,548,956 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $2,485,956.

During the year ended June 30, 2013, bonds were retired at par before maturity in the Mortgage Finance Program in the amount of $10,235,000, in the Homeownership Program in the amount of $199,355,000, and in the Housing Finance Program in the amount of $31,315,000. The respective carrying values of the bonds were $10,235,000, $202,501,590, and $31,515,181. This resulted in revenue to the Homeownership Program of $3,146,590 and to the Housing Finance Program of $200,181.

On July 19, 2012, the agency issued $133,110,000 in Homeownership Program Bonds, Issue 2012-1. On September 1, 2012, the agency used $43,865,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $43,865,000 early redemption). The carrying amount of these bonds was $43,865,000. The refunding reduced the agency's debt service by $10,700,210 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $6,206,292.

On November 15, 2012, the agency issued $97,625,000 in Homeownership Program Bonds, Issue 2012-2. On January 1, 2013, the agency used $22,625,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of $22,625,000 early redemption). The carrying amount of these bonds was $22,625,000. The refunding reduced the agency's debt service by $8,510,283 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of $3,758,068.

d. Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2014.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Bonds Payable	$2,116,905	$271,300	($425,215)	$1,962,990	$122,690
Plus: Unamortized Bond Premiums	20,119	6,528	(5,170)	21,477	-0-
Less: Unamortized Bond Discounts	(218)	-0-	49	(169)	-0-
Compensated Absences	1,230	-0-	(20)	1,210	587
Escrow Deposits	2,635	558	(973)	2,220	82
Arbitrage Rebate Payable	-0-	1,229	(-0-)	1,229	-0-
Total	$2,140,671	$279,615	($431,329)	$1,988,957	$123,359

The following table is a summary of the long-term liability activity for the year ended June 30, 2013.

Long-term Liabilities
(Thousands)

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Bonds Payable	$2,006,295	$446,640	($336,030)	$2,116,905	$241,320
Plus: Unamortized Bond Premiums	14,280	10,101	(4,262)	20,119	-0-
Less: Unamortized Bond Discounts	(273)	-0-	55	(218)	-0-
Compensated Absences	1,156	74	(-0-)	1,230	600
Escrow Deposits	3,731	1,610	(2,706)	2,635	172
Total	$2,025,189	$458,425	($342,943)	$2,140,671	$242,092

NOTE 5. RESTRICTED NET POSITION

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

NOTE 6. DEFINED BENEFIT PENSION PLAN

The agency contributes to the Tennessee State and Political Subdivision Employees Pension Plan (TSPSEPP), an agent, multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits, as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for TSPSEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Plan members are noncontributory. The agency is required to contribute at an actuarially determined rate. The current rate is 15.03% of annual covered payroll. Contribution requirements for the agency are established and may be amended by the TCRS' Board of Trustees. The agency's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012, were $1,739,493, $1,692,847, and $1,632,095. Those contributions met the required contributions for each year.

NOTE 7. PROVISIONS FOR MORTGAGE LOAN LOSSES

Most mortgage loans are insured by the Federal Housing Administration (FHA) or an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's board of directors has established a loan loss reserve of $750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development (RECD) Loan Guarantee Program. An additional $232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and $500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single-family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

NOTE 8. INSURANCE-RELATED ACTIVITIES

a. Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

b. Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2013, is presented in the *Tennessee Comprehensive Annual Financial Report*. The

CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund.

c. Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only other postemployment benefit (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible THDA retirees. This program includes two plans - the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by *Tennessee Code Annotated* Section 8-27-101. Prior to reaching the age of 65, members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy. The plans are reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation - The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including the Tennessee Housing Development Agency (see Note 10). The state is the sole contributor for the THDA retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy - The premium requirements of plan members of the State Employment Group Plan are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated,* retirees in the State Employee Group Plan who have not reached the age of 65 pay the same base premium as active employees in the plan, adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retires 65 years of age or older are provided flat-rate premium subsidies, based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 but less than 30 years of service, $37.50; and retirees with 15 but less than 20 years of service, $25.

THDA Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan
(Thousands)

	June 30, 2014	June 30, 2013
Annual Required Contribution (ARC)	$345	$362
Interest on the Net OPEB Obligation	52	46
Adjustment to the ARC	(51)	(49)
Annual OPEB cost	346	359
Amount of contribution	(236)	(213)
Increase in Net OPEB Obligation	110	146
Net OPEB Obligation-beginning of year	1,303	1,157
Net OPEB Obligation-end of year	$1,413	$1,303

Year End	Plan	Annual OPEB Cost (Thousands)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation At Year End (Thousands)
6/30/2014	State Employee Group Plan	$ 346	68%	$ 1,413
6/30/2013	State Employee Group Plan	$ 359	60%	$ 1,303
6/30/2012	State Employee Group Plan	$ 390	58%	$ 1,157

Funded Status and Funding Progress The funded status of THDA's portion of the State Employee Group Plan as of July 1, 2013, was as follows (thousands):

Actuarial valuation date	7/01/2013
Actuarial accrued liability (AAL)	$ 2,964
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	$ 2,964
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	$ 9,841
UAAL as a percentage of covered payroll	30%

Actuarial valuations involve estimates of the value of reported amounts and probability assumptions far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation for the Employee Group Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially. The rate decreases to 7% in fiscal year 2015, and then reduces by decrements to an ultimate rate of 4.7% in fiscal year 2044. All rates include a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3 percent.

NOTE 10. ON-BEHALF PAYMENTS

During the year ended June 30, 2014, the State of Tennessee made payments of $4,942 on behalf of THDA for retirees participating in the Medicare Supplement Plan, and during the year ended June 30, 2013, made payments of $4,715. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report.* That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 11. PAYMENTS TO PRIMARY GOVERNMENT

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, $15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, $43,000,000 was transferred from the agency to the State General Fund. The $43,000,000 transferred from the agency came from the following resources of the agency: (i) $15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) $5,028,761 from the Housing Program Reserve Fund; and (iii) $22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of $35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

NOTE 12. NATIONAL MORTGAGE SETTLEMENT FUNDS

The State of Tennessee received $41,207,810 from the United States Attorney General for the National Mortgage Settlement. In June 2012, the agency received $34,500,000 of the $41,207,810. The agency plans to use those funds to expand the Keep My Tennessee Home financial assistance program to include long-term medical hardships and to provide foreclosure counseling.

NOTE 13. FINAL REDEMPTION / TRANSFER OF ASSETS

a. Final Redemption under Mortgage Finance Program Bonds

During the fiscal year ended June 30, 2014, the agency redeemed all remaining bonds that were issued under the Mortgage Finance Program.

b. Transfer of Assets to General Residential Finance Program Bonds

During the fiscal year ended June 30, 2014, the agency transferred certain assets from the Mortgage Finance Program to the General Residential Program for the purpose of improving the Program Assets to Debt Ratios in the General Residential Finance Program.

NOTE 14. SUBSEQUENT EVENTS

a. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2014	Homeownership Program		$56,290,000
	Housing Finance Program		9,715,000
	Residential Finance Program		5,415,000
		Total	$71,420,000

b. Residential Finance Program Bonds, Issue 2014-2, were authorized by the Board of directors on July 29, 2014, not to exceed $150,000,000.

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

August 1, 2014	Homeownership Program		$13,360,000
	Housing Finance Program		4,610,000
	Residential Finance Program		1,645,000
		Total	$19,615,000

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

September 1, 2014	Homeownership Program		$11,275,000
	Housing Finance Program		4,950,000
	Residential Finance Program		1,685,000
		Total	$17,910,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

October 1, 2014	Homeownership Program		$14,965,000
	Housing Finance Program		6,130,000
	Residential Finance Program		3,175,000
		Total	$24,270,000

f. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

November 1, 2014	Homeownership Program		$12,455,000
	Housing Finance Program		5,015,000
	Residential Finance Program		2,040,000
		Total	$19,510,000

NOTE 15. EVENTS (UNAUDTED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT

a. Homeownership Program Bonds, Issue 2014-2, were sold on November 20, 2014. The bond maturities are as follow:

BONDS ISSUED
(Thousands)

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2014-2	7/1/2015-7/1/2045	$150,000	0.250 to 4.000

b. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

December 1, 2014	Homeownership Program		$14,360,000
	Housing Finance Program		5,715,000
	Residential Finance Program		2,705,000
		Total	$22,780,000

c. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

January 1, 2015	Homeownership Program		$44,900,000
	Housing Finance Program		6,170,000
	Residential Finance Program		5,695,000
			$56,765,000
		Total	

d. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

February 1, 2015	Homeownership Program		$9,875,000
	Housing Finance Program		4,740,000
	Residential Finance Program		2,465,000
		Total	$17,080,000

e. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

March 1, 2015	Homeownership Program		$10,755,000
	Housing Finance Program		5,415,000
	Residential Finance Program		3,755,000
		Total	$19,925,000

f. Homeownership Program Bonds, Issue 2015-A, were sold on May 28, 2015. The bond maturities are as follow:

BONDS ISSUED (Thousands)			
Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2015-A	1/1/2016-7/1/2045	$163,850	0.300 to 3.850

g. Homeownership Program Bonds, Issue 2015-1, were sold on June 11, 2015. The bond maturities are as follow:

BONDS ISSUED (Thousands)			
Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2015-1	1/1/2016-7/1/2045	$150,000	0.500to 4.050

h. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

April 1, 2015	Homeownership Program		$9,010,000
	Housing Finance Program		3,185,000
	Residential Finance Program		2,475,000
		Total	$14,670,000

i. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

May 1, 2015	Homeownership Program		$11,535,000
	Housing Finance Program		3,725,000
	Residential Finance Program		3,595,000
		Total	$18,855,000

j. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

June 1, 2015	Homeownership Program		$12,500,000
	Housing Finance Program		156,505,000
	Residential Finance Program		6,065,000
		Total	$175,070,000

k. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

July 1, 2015	Homeownership Program		$40,865,000
	Housing Finance Program		10,490,000
	Residential Finance Program		10,825,000
		Total	$62,180,000

l. Residential Finance Program Bonds, Issue 2015-2, were authorized by the Board of Directors on July 28, 2015, not to exceed $175,000,000. The sale of the Bonds will occur no later than December 31, 2015.

m. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

August 1, 2015	Homeownership Program		$12,535,000
	Housing Finance Program		4,855,000
	Residential Finance Program		7,010,000
		Total	$24,400,000

n. Mortgage prepayments and foreclosure proceeds were used to redeem bonds as indicated below:

September 1, 2015	Homeownership Program		$13,760,000
	Housing Finance Program		4,880,000
	Residential Finance Program		5,845,000
		Total	$24,485,000

TENNESSEE HOUSING DEVELOPMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
UNAUDITED
(Expressed in Thousands)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2010	State Employee Group Plan	$ -0-	$ 3,316	$ 3,316	0%	$ 8,640	38%
7/1/2011	State Employee Group Plan	$ -0-	$ 2,919	$ 2,919	0%	$ 9,818	30%
7/1/2013	State Employee Group Plan	$ -0-	$ 2,964	$ 2,964	0%	$ 9,841	30%

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 13,030	$ 10,582	$ 105,031	$ 35,259	$ 101,156	$ 265,058
Investments	-	682	9,175	4,478	2,671	17,006
Receivables:						
Accounts	3	391	21,334	8,364	2,849	32,941
Interest	29	254	7,746	3,850	2,017	13,896
First mortgage loans	5	145	29,002	10,636	12,299	52,087
Due from federal government	19,668	-	-	-	-	19,668
Due from other funds	7,122	20	-	-	-	7,142
Prepaid expenses	6	-	-	-	-	6
Total current assets	39,863	12,074	172,288	62,587	120,992	407,804
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	4,469	-	2,734	297	845	8,345
Investments	-	-	154,344	20,304	14,659	189,307
Investment Interest receivable	-	-	1,486	104	99	1,689
Investments	-	2,022	8,058	7,792	28,820	46,692
First mortgage loans receivable	1,184	43,689	948,669	492,034	428,637	1,914,213
Advance to local government	3,062	-	-	-	-	3,062
Capital assets:						
Furniture and equipment	1,437	-	-	-	-	1,437
Less accumulated depreciation	(811)	-	-	-	-	(811)
Total noncurrent assets	9,341	45,711	1,115,291	520,531	473,060	2,163,934
Total assets	49,204	57,785	1,287,579	583,118	594,052	2,571,738
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	-	337	-	913	1,250
Total deferred outflows of resources	-	-	337	-	913	1,250
LIABILITIES						
Current liabilities:						
Accounts payable	5,405	4	44	24	278	5,755
Accrued payroll and related liabilities	612	-	-	-	-	612
Compensated absences	587	-	-	-	-	587
Due to primary government	72	-	-	-	-	72
Interest payable	-	-	20,918	9,336	6,248	36,502
Escrow deposits	-	82	-	-	-	82
Prepayments on mortgage loans	-	5	684	300	304	1,293
Due to federal government	4,314	-			-	4,314
Due to other funds	-	-	7,142	-	-	7,142
Bonds payable	-	-	87,865	22,860	11,965	122,690
Total current liabilities	10,990	91	116,653	32,520	18,795	179,049
Noncurrent liabilities:						
Bonds payable	-	-	887,495	504,972	469,141	1,861,608
Compensated absences	623	-	-	-	-	623
Net OPEB obligation	1,413	-	-	-	-	1,413
Escrow deposits	272	544	-	-	1,322	2,138
Arbitrage rebate payable	-	-	1,229	-	-	1,229
Total noncurrent liabilities	2,308	544	888,724	504,972	470,463	1,867,011
Total liabilities	13,298	635	1,005,377	537,492	489,258	2,046,060
NET POSITION						
Net investment in capital assets	626	-	-	-	-	626
Restricted for single family bond programs	-	128	282,539	45,626	105,707	434,000
Restricted for grant programs	-	12,752	-	-	-	12,752
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Unrestricted	32,127	44,270	-	-	-	76,397
Total net position	$ 35,906	$ 57,150	$ 282,539	$ 45,626	$ 105,707	$ 526,928

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	$ 65	$ 1,565	$ 60,536	$ 26,424	$ 13,518	$ 102,108
Investment income:						
Interest	34	1,283	8,287	743	335	10,682
Net increase (decrease) in the fair value of investments	-	(618)	(3,718)	146	(146)	(4,336)
Federal grant administration fees	16,556	-	-	-	-	16,556
Fees and other income	2,322	149	-	-	-	2,471
Total operating revenues	18,977	2,379	65,105	27,313	13,707	127,481
OPERATING EXPENSES						
Salaries and benefits	16,578	-	-	-	-	16,578
Contractual services	5,973	-	-	-	-	5,973
Materials and supplies	1,250	-	-	-	-	1,250
Rentals and insurance	94	-	-	-	-	94
Other administrative expenses	527	-	-	-	-	527
Other program expenses	3,993	719	3,433	494	239	8,878
Interest expense	-	814	41,649	18,840	9,087	70,390
Mortgage service fees	-	184	4,109	1,892	980	7,165
Issuance costs	-	-	-	-	2,167	2,167
Depreciation	309	-	-	-	-	309
Total operating expenses	28,724	1,717	49,191	21,226	12,473	113,331
Operating income (loss)	(9,747)	662	15,914	6,087	1,234	14,150
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	295,814	-	-	-	-	295,814
Federal grants expenses	(292,523)	-	-	-	-	(292,523)
Local grants expenses	(12,855)	-	(4,125)	-	-	(16,980)
Total nonoperating revenues (expenses)	(9,564)	-	(4,125)	-	-	(13,689)
Income (loss) before transfers	(19,311)	662	11,789	6,087	1,234	461
Transfers (to) other funds	-	(129,308)	(51,950)	(6,196)	-	(187,454)
Transfers from other funds	14,702	-	-	-	172,752	187,454
Change in net position	(4,609)	(128,646)	(40,161)	(109)	173,986	461
Total net position, July 1	40,515	185,796	322,700	45,735	(68,279)	526,467
Total net position, June 30	$ 35,906	$ 57,150	$ 282,539	$ 45,626	$ 105,707	$ 526,928

Exhibit C

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	$ 194	$ 7,413	$ 222,358	$ 75,814	$ 29,174	$ 334,953
Receipts from federal government	16,589	-	3	-	-	16,592
Receipts from other funds	2,213	10	-	-	-	2,223
Other miscellaneous receipts	2,322	149	-	-	-	2,471
Acquisition of mortgage loans	-	(5,866)	(1,614)	(1,139)	(218,677)	(227,296)
Payments to service mortgages	-	(184)	(4,109)	(1,892)	(980)	(7,165)
Payments to suppliers	(8,499)	(719)	(2,220)	(497)	-	(11,935)
Payments to other funds	-	-	(2,223)	-	-	(2,223)
Payments to employees	(16,720)	-	-	-	-	(16,720)
Net cash provided (used) by operating activities	(3,901)	803	212,195	72,286	(190,483)	90,900
Cash flows from non-capital financing activities:						
Operating grants received	277,657	-	-	-	-	277,657
Transfers in (out)	14,702	(42,143)	47,097	(6,196)	(13,460)	-
Proceeds from sale of bonds	-	-	-	-	277,828	277,828
Operating grants paid	(304,487)	-	(4,125)	-	-	(308,612)
Cost of issuance paid	-	-	-	-	(2,167)	(2,167)
Principal payments	-	(48,965)	(293,505)	(66,740)	(16,005)	(425,215)
Interest paid	-	(1,249)	(52,825)	(20,405)	(3,772)	(78,251)
Net cash provided (used) by non-capital financing activities	(12,128)	(92,357)	(303,358)	(93,341)	242,424	(258,760)
Cash flows from capital and related financing activities:						
Purchases of capital assets	(740)	-	-	-	-	(740)
Net cash used by capital and related financing activities	(740)	-	-	-	-	(740)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	40,403	53,402	13,342	28,185	135,332
Purchases of investments	-	(10,686)	(35,711)	(10,260)	(51,838)	(108,495)
Investment interest received	34	1,278	8,495	796	222	10,825
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	5	-	5	10
Net cash provided (used) by investing activities	34	30,995	26,191	3,878	(23,426)	37,672
Net increase (decrease) in cash and cash equivalents	(16,735)	(60,559)	(64,972)	(17,177)	28,515	(130,928)
Cash and cash equivalents, July 1	34,234	71,141	172,737	52,733	73,486	404,331
Cash and cash equivalents, June 30	$ 17,499	$ 10,582	$ 107,765	$ 35,556	$ 102,001	$ 273,403

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2014
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ (9,747)	$ 662	$ 15,914	$ 6,087	$ 1,234	$ 14,150
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	309	-	-	-	-	309
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(2)	498	(7,381)	(5,067)	(2,834)	(14,786)
(Increase) decrease in mortgage interest receivable	(15)	572	1,252	(428)	(1,919)	(538)
(Increase) decrease in first mortgage loans receivable	156	685	166,314	53,691	(199,900)	20,946
Decrease in due from federal government	33	-	-	-	-	33
Decrease in interfund receivables	2,213	10	-	-	-	2,223
(Decrease) in interfund payables	-	-	(2,223)	-	-	(2,223)
Increase (decrease) in accounts payable	2,947	(1,773)	10	52	1,871	3,107
Increase in accrued payroll / compensated absences	167	-	-	-	-	167
Increase in due to primary government	72	-	-	-	-	72
Increase in arbitrage rebate liability	-	-	1,229	-	-	1,229
Investment income included as operating revenue	(34)	(665)	(4,569)	(889)	(189)	(6,346)
Interest expense included as operating expense	-	814	41,649	18,840	9,087	70,390
Issuance cost included as operating expense	-	-	-	-	2,167	2,167
Total adjustments	5,846	141	196,281	66,199	(191,717)	76,750
Net cash provided (used) by operating activities	$ (3,901)	$ 803	$ 212,195	$ 72,286	$ (190,483)	$ 90,900
Noncash investing, capital, and financing activities:						
Increase (decrease) in fair value of investments	$ -	$ (618)	$ (3,718)	$ 146	$ (146)	$ (4,336)
Total noncash investing, capital, and financing activities	$ -	$ (618)	$ (3,718)	$ 146	$ (146)	$ (4,336)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION - MORTGAGE FINANCE PROGRAM
JUNE 30, 2014
(Expressed in Thousands)

	Mortgage Finance Bond	General Fund	Mortgage Finance Bond Group Total*	Escrow Fund**	Mortgage Finance Program Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ (2)	$ 10,446	$ 10,444	$ 138	$ 10,582
Investments	-	627	627	55	682
Receivables:					
Accounts	-	386	386	5	391
Interest	33	220	253	1	254
First mortgage loans	-	145	145	-	145
Due from other funds	-	20	20	-	20
Total current assets	31	11,844	11,875	199	12,074
Noncurrent assets:					
Restricted assets:					
Investments	-	1,567	1,567	455	2,022
First mortgage loans receivable	-	43,689	43,689	-	43,689
Total noncurrent assets	-	45,256	45,256	455	45,711
Total assets	31	57,100	57,131	654	57,785
LIABILITIES					
Current liabilities:					
Accounts payable	2	2	4	-	4
Escrow deposits	-	-	-	82	82
Prepayments on mortgage loans	3	2	5	-	5
Total current liabilities	5	4	9	82	91
Noncurrent liabilities:					
Escrow deposits	-	99	99	445	544
Total noncurrent liabilities	-	99	99	445	544
Total liabilities	5	103	108	527	635
NET POSITION					
Restricted for single family bond programs	-	1	1	127	128
Restricted for grant programs	-	12,752	12,752	-	12,752
Unrestricted	26	44,244	44,270	-	44,270
Total net position	$ 26	$ 56,997	$ 57,023	$ 127	$ 57,150

* The Mortgage Finance Bond Group Total represents the funds pledged to the Mortgage Finance Program Resolution.
** The Escrow Funds can only be used for escrow payments.

UNAUDITED FINANCIAL INFORMATION

UNAUDITED

June 30, 2015

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

June 30, 2015
(with comparative totals as of June 30, 2014)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 6/30/2015	Total 6/30/2014
ASSETS							
Current assets:							
Cash and cash equivalents	$ 5,915	$ 13,428	$ 97,295	$ 39,330	$ 119,542	$ 275,510	$ 265,058
Investments	-	-	-	-	42,603	42,603	17,006
Receivables:							
Accounts	3	444	15,337	10,259	3,554	29,597	32,941
Interest	21	58	6,240	3,594	3,643	13,556	13,896
First mortgage loans	6	164	25,100	9,874	18,321	53,465	52,087
Due from federal government	28,051	-	-	-	-	28,051	19,668
Due from other funds	3,488	-	-	-	-	3,488	7,142
Prepaid Expenses	10	-	-	-	-	10	6
Total current assets	37,494	14,094	143,972	63,057	187,663	446,280	407,804
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	14,667	-	9,321	1,068	422	25,478	8,345
Investments	-	-	135,899	19,837	22,888	178,624	189,307
Investment interest receivable	-	-	1,401	104	68	1,573	1,689
Investments	-	4,684	196	1,866	28,310	35,056	46,692
First mortgage loans receivable	867	48,246	760,561	436,523	623,580	1,869,777	1,914,213
Second mortgage loans receivable	-	-	12,505	-	-	12,505	-
Allowance for forgivable second mortgages	-	-	(2,904)	-	-	(2,904)	-
Advance to local government	3,084	-	-	-	-	3,084	3,062
Capital assets:							
Furniture and equipment	1,561	-	-	-	-	1,561	1,437
Less accumulated depreciation	(1,049)	-	-	-	-	(1,049)	(811)
Total noncurrent assets	19,130	52,930	916,979	459,398	675,268	2,123,705	2,163,934
Total assets	56,624	67,024	1,060,951	522,455	862,931	2,569,985	2,571,738
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amount on refundings	-	-	222	-	759	981	1,250
Total deferred outflows of resources	-	-	222	-	759	981	1,250
LIABILITIES							
Current liabilities:							
Accounts payable	$ 11,359	$ 2	$ 35	$ 21	$ 27	$ 11,444	$ 5,755
Accrued payroll and related liabilities	587	-	-	-	-	587	612
Compensated absences	585	-	-	-	-	585	587
Due to federal government	14,667	-	-	-	-	14,667	4,314
Due to primary government	71	-	-	-	-	71	72
Interest payable	-	-	15,964	5,807	10,554	32,325	36,502
Escrow deposits	-	76	-	-	-	76	82
Prepayments on mortgage loans	-	-	507	235	423	1,165	1,293
Due to other funds	-	-	2,065	-	1,423	3,488	7,142
Bonds payable	-	-	77,670	23,890	28,895	130,455	122,690
Total current liabilities	27,269	78	96,241	29,953	41,322	194,863	179,049
Noncurrent liabilities:							
Bonds payable	-	-	673,115	455,975	719,625	1,848,715	1,861,608
Compensated absences	622	-	-	-	-	622	623
Net OPEB obligation	1,516	-	-	-	-	1,516	1,413
Escrow deposits	294	495	-	-	1,688	2,477	2,138
Arbitrage rebate payable	-	-	2,803	-	-	2,803	1,229
Total noncurrent liabilities	2,432	495	675,918	455,975	721,313	1,856,133	1,867,011
Total liabilities	29,701	573	772,159	485,928	762,635	2,050,996	2,046,060
NET POSITION							
Net investment in capital assets	512	-	-	-	-	512	626
Restricted for single family bond programs	-	145	289,014	36,527	101,055	426,741	434,000
Restricted for grant programs	-	11,302	-	-	-	11,302	12,752
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153	3,153
Unrestricted	23,258	55,004	-	-	-	78,262	76,397
Total net position	$ 26,923	$ 66,451	$ 289,014	$ 36,527	$ 101,055	$ 519,970	$ 526,928

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 6/30/2015	Total 6/30/2014
OPERATING REVENUES							
Mortgage interest income	$ 36	$ 119	$ 47,964	$ 23,487	$ 25,393	$ 96,999	$ 102,108
Investment income:		-					
Interest	29	27	7,827	664	1,866	10,413	10,682
Net increase (decrease) in the fair value of investments	-	(1)	(3,550)	225	(552)	(3,878)	(4,336)
Federal grant administration fees	14,920	-	-	-	-	14,920	16,556
Fees and other income	1,431	1	-	-	160	1,592	2,471
Total operating revenues	16,416	146	52,241	24,376	26,867	120,046	127,481
OPERATING EXPENSES							
Salaries and benefits	16,377	-	-	-	-	16,377	16,578
Contractual services	6,475	-	1	2	-	6,478	5,973
Materials and supplies	657	-	-	-	-	657	1,250
Rentals and insurance	30	-	-	-	-	30	94
Other administrative expenses	476	-	-	-	-	476	527
Other program expenses	1,931	108	6,596	549	1,001	10,185	8,878
Interest expense	-	-	32,354	16,977	17,058	66,389	70,390
Mortgage service fees	-	87	3,225	1,716	2,048	7,076	7,165
Issuance costs	-	-	-	1,195	2,343	3,538	2,167
Depreciation	345	-	-	-	-	345	309
Total operating expenses	26,291	195	42,176	20,439	22,450	111,551	113,331
Operating income (loss)	(9,875)	(49)	10,065	3,937	4,417	8,495	14,150
NONOPERATING REVENUES (EXPENSES)							
Federal grants revenue	307,010	-	-	-	-	307,010	295,814
Other grant revenue	-	-	2	-	-	2	-
Federal grants expenses	(307,165)	-	-	-	-	(307,165)	(292,523)
Local grants expenses	(15,100)	(200)	-	-	-	(15,300)	(16,980)
Total nonoperating revenues (expenses)	(15,255)	(200)	2	-	-	(15,453)	(13,689)
Income (loss) before transfers	(25,130)	(249)	10,067	3,937	4,417	(6,958)	461
Transfers (to) other funds	-	-	(3,592)	(13,036)	(9,069)	(25,697)	(187,454)
Transfers from other funds	16,147	9,550	-	-	-	25,697	187,454
Change in net position	(8,983)	9,301	6,475	(9,099)	(4,652)	(6,958)	461
Total net position, July 1	35,906	57,150	282,539	45,626	105,707	526,928	526,467
Total net position, End of period	$ 26,923	$ 66,451	$ 289,014	$ 36,527	$ 101,055	$ 519,970	$ 526,928

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 6/30/2015	Total 6/30/2014
Cash flows from operating activities:							
Receipts from customers	$ 360	$ 3,809	$ 182,632	$ 78,039	$ 115,608	$ 380,448	$ 334,953
Receipts from federal government	14,708	-	-	-	-	14,708	16,592
Receipts from other funds	3,634	20	-	-	1,423	5,077	2,223
Other miscellaneous receipts	1,431	1	-	-	160	1,592	2,471
Acquisition of mortgage loans	-	(8,259)	(9,052)	-	(231,737)	(249,048)	(227,296)
Payments to service mortgages	-	(87)	(3,225)	(1,716)	(2,048)	(7,076)	(7,165)
Payments to suppliers	(10,755)	(110)	(2,128)	(554)	(1,252)	(14,799)	(11,935)
Payments to other funds	-	-	(5,077)	-	-	(5,077)	(2,223)
Payments to employees	(16,603)	-	-	-	-	(16,603)	(16,720)
Net cash provided (used) by operating activities	(7,225)	(4,626)	163,150	75,769	(117,846)	109,222	90,900
Cash flows from non-capital financing activities:							
Operating grants received	309,192	-	2	-	-	309,194	277,657
Transfers in (out)	16,147	9,475	57,588	(13,036)	(70,174)	-	-
Proceeds from sale of bonds	-	-	-	168,316	309,508	477,824	277,828
Operating grants paid	(314,829)	(200)	-	-	-	(315,029)	(308,612)
Cost of issuance paid	-	-	-	(1,195)	(2,343)	(3,538)	(2,167)
Principal payments	-	-	(221,280)	(215,875)	(40,715)	(477,870)	(425,215)
Interest paid	-	-	(40,474)	(20,913)	(13,993)	(75,380)	(78,251)
Net cash provided (used) by non-capital financing activities	10,510	9,275	(204,164)	(82,703)	182,283	(84,799)	(258,760)
Cash flows from capital and related financing activities:							
Purchases of capital assets	(231)	-	-	-	-	(231)	(740)
Net cash used by capital and related financing activities	(231)	-	-	-	-	(231)	(740)
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	-	3,055	86,016	28,137	59,270	176,478	135,332
Purchases of investments	-	(5,036)	(54,090)	(17,044)	(107,486)	(183,656)	(108,495)
Investment interest received	29	178	7,932	680	1,729	10,548	10,825
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	7	3	13	23	10
Net cash provided (used) by investing activities	29	(1,803)	39,865	11,776	(46,474)	3,393	37,672
Net increase (decrease) in cash and cash equivalents	3,083	2,846	(1,149)	4,842	17,963	27,585	(130,928)
Cash and cash equivalents, July 1	17,499	10,582	107,765	35,556	102,001	273,403	404,331
Cash and cash equivalents, End of period	$ 20,582	$ 13,428	$ 106,616	$ 40,398	$ 119,964	$ 300,988	$ 273,403

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Operating Group	Mortgage Finance Program	Home-ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 6/30/2015	Total 6/30/2014
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	$ (9,875)	$ (49)	$ 10,065	$ 3,937	$ 4,417	$ 8,495	$ 14,150
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation	345	-	-	-	-	345	309
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	-	(53)	5,997	(1,895)	(705)	3,344	(14,786)
(Increase) decrease in mortgage interest receivable	8	45	1,486	239	(1,457)	321	(538)
(Increase) decrease in first mortgage loans receivable	294	(4,501)	121,214	56,273	(139,845)	33,435	20,946
(Increase) decrease in due from federal government	(212)	-	-	-	-	(212)	33
Decrease in interfund receivables	3,634	20	-	-	1,423	5,077	2,223
(Decrease) in interfund payables	-	-	(5,077)	-	-	(5,077)	(2,223)
Increase (decrease) in accounts payable	(1,464)	(62)	(186)	(68)	234	(1,546)	3,107
Increase in accrued payroll / compensated absences	75	-	-	-	-	75	167
Increase (decrease) in due to primary government	(1)	-	-	-	-	(1)	72
Increase in arbitrage rebate liability	-	-	1,574	-	-	1,574	1,229
Investment income included as operating revenue	(29)	(26)	(4,277)	(889)	(1,314)	(6,535)	(6,346)
Interest expense included as operating expense	-	-	32,354	16,977	17,058	66,389	70,390
Issuance cost included as operating expense	-	-	-	1,195	2,343	3,538	2,167
Total adjustments	2,650	(4,577)	153,085	71,832	(122,263)	100,727	76,750
Net cash provided (used) by operating activities	$ (7,225)	$ (4,626)	$ 163,150	$ 75,769	$ (117,846)	$ 109,222	$ 90,900
Noncash investing, capital, and financing activities:							
Increase (decrease) in fair value of investments	-	7	(4,298)	(179)	(463)	(4,933)	(4,336)
Total noncash investing, capital, and financing activities	$ -	$ 7	$ (4,298)	$ (179)	$ (463)	$ (4,933)	$ (4,336)

APPENDIX B

SUMMARY OF MORTGAGE INSURANCE AND GUARANTEE PROGRAMS

Introduction

All first lien Program Loans made or purchased by THDA with proceeds of Bonds issued under the General Resolution are expected to be (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, or (b) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who, at the time of closing, have an acceptable equity interest in the property based on the lesser of appraised value or the sale price. However, under the General Resolution, some or all of these requirements may be modified by a Supplemental Resolution with respect to Program Loans financed with the proceeds of Bonds subsequently issued pursuant to such Supplemental Resolution.

Originating Agents are responsible for obtaining Veteran's Administration ("VA") or U.S. Department of Agriculture, Rural Development ("USDA/RD") guarantees, Federal Housing Administration ("FHA") insurance certificates or private mortgage insurance certificates as part of the process of originating and closing THDA Program Loans. Borrowers pay the costs associated with such insurance certificates or guarantees.

The following descriptions of certain mortgage insurance programs and loan guarantee programs are all only brief outlines and do not purport to summarize or describe all provisions of each respective program. For a more complete description of these programs, refer to the contract provisions embodied in FHA, USDA/RD (formerly FmHA) and VA regulations, respectively, and to the regulations, master insurance contracts and other such information from the private mortgage insurance providers.

FHA Insurance Programs

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ primarily upon whether the property contains five or more dwelling units or less than five such units and whether the property is designed for occupancy by low and moderate income families.

The National Housing Act of 1934, as amended, imposes a minimum cash requirement for purchase money mortgages of 3.5% of the lesser of appraised value or sales price, resulting in a maximum loan to value percentage of 96.5%.

Under the FHA programs which insure THDA's Program Loans, insurance benefits generally are payable only upon foreclosure (or other acquisition of possession) and conveyance of the property to the United States Department of Housing and Urban Development ("HUD"). The FHA insurance proceeds available under these programs upon conveyance of the property to HUD is equal to 100% of the outstanding principal balance of the Program Loan, plus interest and certain additional costs and expenses.

Under some FHA insurance programs, HUD pays insurance claims in cash unless the mortgage lender specifically requests payment in debentures issued by HUD. Under other programs, HUD, at its option, may pay insurance claims in cash or in such debentures. Currently, HUD makes insurance payments on mortgages covering less than five dwelling units in cash when it has discretion to determine the form of insurance payment. HUD debentures issued in satisfaction of FHA insurance claims bear interest at the HUD debentures interest rate in effect under HUD regulations on the date of the mortgage insurance commitment or of the initial insurance endorsement of the mortgage, whichever rate is higher.

When FHA insurance benefits are paid after foreclosure (or other acquisition of possession) and conveyance, the amount paid is computed as of the date of default by the borrower, as defined in HUD regulations, and the mortgage lender generally is not compensated for mortgage interest accrued and unpaid prior to that date. When FHA insurance benefits are paid under such circumstances, the insurance payment made is generally equal to the unpaid principal amount of the Program Loan, adjusted to reimburse the mortgage lender for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgage lender after default, plus reimbursement not to exceed a specified percentage of the mortgage lender's foreclosure costs as determined by HUD based on certain criteria. The regulations under the FHA insurance programs which insure THDA's Program Loans provide that the insurance payment itself shall bear interest from the date of default to the date of payment of the claim at an interest rate equal to the monthly average yield, for the month in which the default occurred, on United States Treasury securities adjusted to a constant maturity of 10 years.

When any property conveyed to HUD has been damaged by fire, earthquake, flood or tornado, it is generally required, as a condition to payment of an insurance claim, that the property be repaired by the mortgage lender prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Trustee and the Servicer act under the power of sale provisions in the deed of trust, subject to constraints imposed by applicable state law and by HUD. HUD currently requires that, absent the consent of the borrower, at least three full monthly installments be due and unpaid under the deed of trust before the mortgage lender may initiate any action leading to foreclosure under the deed of trust. HUD also requires a face-to-face conference between the mortgage lender and the borrower in an effort to cure the delinquency without foreclosure. In any case, these requirements do not apply where the borrower has voluntarily abandoned the property, in which case, the mortgage lender may immediately initiate foreclosure proceedings (subject to applicable state law notice provisions).

Veterans Administration Guaranty Program

The Servicemen's Readjustment Act of 1944, as amended, permits a veteran (or in certain instances, the veteran's spouse or certain qualified reservists) to obtain a Program Loan guaranty from the VA covering the purchase of a one-to-four family dwelling unit at interest rates permitted by the VA. The program has no loan limits, requires no down payment from the purchaser and permits the guaranty of Program Loans of up to thirty years duration. The maximum guaranty that may be issued by the VA under this program is the lesser of the veteran's available entitlement or the statutory maximum guaranty based on date of origination, type of housing unit and loan amount. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage lender will ordinarily suffer a monetary loss only when the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of a property is greater than the original guaranty, as adjusted. The VA may, at its option, and without regard to the guaranty, make full payment to a mortgage lender of unsatisfied indebtedness on a mortgage upon its assignment to the VA.

United States Department of Agriculture, Rural Development (formerly Farmers Home Administration)

Guaranteed Rural Housing Program

The Cranston-Gonzalez National Affordable Housing Act of 1990 revised and expanded the interest assistance program for guaranteed loans under Section 502 of Title V of the Housing Act of 1949, as amended, by creating the Guaranteed Rural Housing Loan Program. The guaranty covers the lesser of (a) any loss equal to 90% of the original principal amount of the loan or (b) any loss in full up to 35% of the original principal amount of the loan plus any additional loss on the remaining 65% to be shared approximately 85% by USDA/RD and approximately 15% by THDA.

Private Mortgage Insurance Programs

General

Program Loans are permitted under the General Resolution when insured under private mortgage insurance programs as described below.

Private mortgage insurance policies insure against certain losses sustained by reason of default in payments by borrowers. Under most policies, delinquencies must be reported to the insurer within two (2) months of default, and proceedings to recover title must, generally, be commenced within nine (9) months of default. It is standard practice for private mortgage insurers to require that the mortgage lender, prior to presenting a claim under the mortgage insurance policy, acquire and tender to the private mortgage insurer title to the property, free and clear of all liens and encumbrances, including any right of redemption by the borrower. When such a claim is presented, the private mortgage insurer will normally retain the option to pay the claim in full and take title to the property and arrange for its sale, or to pay the insured percentage of the claim and allow the insured mortgage lender to retain title to the property. The amount of loss payable generally includes the principal balance due under the mortgage, plus accumulated interest, real estate taxes and hazard insurance premiums which have been advanced, expenses incurred in the preservation of the insured property, and other expenses necessarily incurred in the recovery proceedings.

Notwithstanding the foregoing, THDA does not expect to use lendable proceeds of the Offered Bonds to purchase Program Loans insured by private mortgage insurance.

APPENDIX C

FANNIE MAE MORTGAGE-BACKED SECURITIES

General

The following summary of the Fannie Mae MBS Program (as defined below), the Fannie Mae Securities, Fannie Mae's mortgage purchase and servicing standards and other documents referred to herein does not purport to be complete and is qualified in its entirety by reference to Fannie Mae's Prospectus, as defined below, the Fannie Mae Single Family Selling and Servicing Guides and the other documents referred to herein.

Fannie Mae is subject to the supervision and regulation of the Federal Housing Finance Agency to the extent provided in the Housing and Economic Recovery Act of 2008. The FHFA has placed Fannie Mae into conservatorship.

Information on Fannie Mae and its financial condition is contained in Fannie Mae's most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the Securities and Exchange Commission (the "SEC"). Fannie Mae files reports, proxy statements and other information with the SEC. Materials that it files with the SEC are also available from the SEC's website, "www.sec.gov." In addition, these materials may be inspected, without charge, and copies may be obtained at prescribed rates, at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at http://www.fanniemae.com/ir/sec or from Fannie Mae at the Office of Investor Relations at 202-752-7115. The documents and websites referred to above are not a part of this Official Statement, and neither THDA nor any of the Underwriters takes any responsibility for information contained in any of these documents or websites.

Fannie Mae

Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938, organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. (the "Charter"). Fannie Mae has a public mission to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae securitizes mortgage loans originated by lenders in the primary mortgage market into mortgage-backed securities ("Fannie Mae MBS"), which can then be bought and sold in the secondary mortgage market. Fannie Mae also participates in the secondary mortgage market by purchasing mortgage loans (often referred to as "whole loans") and mortgage-related securities, including Fannie Mae MBS, for Fannie Mae's mortgage portfolio. In addition, Fannie Mae makes other investments to increase the supply of affordable housing, however, pursuant to the Charter, Fannie Mae may not lend money directly to consumers in the primary mortgage market. *Although Fannie Mae is a corporation chartered by the U.S. Congress, the conservator of Fannie Mae is a U.S. Government agency, and the United States Department of Treasury ("Treasury'') owns senior preferred stock and a warrant to purchase common stock of Fannie Mae, the US. Government (including Treasury) does not guarantee, directly or indirectly, the securities or other obligations of Fannie Mae.*

On September 6, 2008, the Director of the Federal Housing Finance Agency ("FHFA"), the safety, soundness and mission regulator of Fannie Mae, placed Fannie Mae into conservatorship and appointed FHFA as the conservator. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. As such, FHFA has the authority to conduct all business of Fannie Mae. Pursuant to the Housing and Economic Recovery Act of 2008, FHFA, as conservator, may take "such action as may be necessary to put the regulated entity in a sound and solvent condition." Fannie Mae has no control over FHFA's actions or the actions it may direct Fannie Mae to take. The conservatorship has no specified termination date; Fannie Mae does not know when or how the conservatorship will be terminated. In addition, the Board of Directors of Fannie Mae does not have any fiduciary duties to any person or entity except to FHFA, as conservator. Accordingly, the Board of Directors is not obligated to consider the interests of Fannie Mae or the stockholders of Fannie Mae unless specifically directed to do so by FHFA, as conservator. The United States Department of Housing and Urban Development, however, remains Fannie Mae's regulator with respect to fair lending matters.

Mortgage-Backed Security Program

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the "MBS Program"). **The obligations of Fannie Mae, including its obligations under the Fannie Mae Securities, are obligations solely of Fannie Mae and are not guaranteed by the United States Government (including Treasury) and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof, including Treasury and FHFA, other than Fannie Mae.**

The terms of the MBS Program are governed by the Fannie Mae Selling and Servicing Guides (the "Fannie Mae Guides"), as modified by the Pool Purchase Contract, and, in the case of mortgage loans such as the Program Loans exchanged with Fannie Mae, a Trust Indenture dated as of November 1, 1981, as amended (the "Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"). The Fannie Mae Prospectus is updated from time to time.

Copies of the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statements are available without charge from Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016, Attention: Vice President for Investor Relations, (telephone: (202) 752-6724).

Pool Purchase Contract

It is expected that Fannie Mae and the Master Servicer will enter into a Pool Purchase Contract, pursuant to which the Master Servicer will be permitted to deliver, and Fannie Mae will agree to purchase conventional loans insured by a private mortgage insurer acceptable to Fannie Mae in exchange for Fannie Mae Securities. The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of such mortgage loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the Master Servicer as of the date hereof.

Under the Pool Purchase Contract, Fannie Mae will purchase [both mortgage loans eligible under the guidelines set forth in the Fannie Mae Guides and mortgage loans insured under the Community Home Buyer's Program] that conform to the conditions set forth in the Pool Purchase Contract.

Pursuant to the requirements of the Fannie Mae Guides, as amended, the original principal balance of each mortgage loan to be sold to Fannie Mae may not exceed the amount established from time to time by Fannie Mae. The mortgage loans must be mortgage loans with loan-to-value ratios not in excess of 100%; mortgage loans with loan-to-value ratios exceeding 80% must have the principal amount of the indebtedness in excess of 75% of the appraised value of the home insured by a policy of private mortgage insurance. The provider of the mortgage insurance must be acceptable to Fannie Mae.

Under the Pool Purchase Contract, the 100% loan-to-value limitation for mortgage loans will be based upon the lower of (1) the acquisition cost plus rehabilitation cost, if any, of a home, or (2) the appraised value of a home after completion of any rehabilitation. The maximum combined loan-to-value ratio is also 100% where subordinate financing is provided, so long as the mortgage loan does not exceed a 75% loan-to-value ratio. The Pool Purchase Contract also provides that, in underwriting mortgage loans for the [Community Home Buyer's Program], certain exceptions will be made from the Fannie Mae Guides for down payment requirements and for determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

The Pool Purchase Contract obligates the Master Servicer to service the mortgage loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

Fannie Mae Securities

Each Fannie Mae Security will represent the entire interest in a specified pool of mortgage loans purchased by Fannie Mae from the Master Servicer and identified in records maintained by Fannie Mae. The Pool Contract requires that each Fannie Mae Security be in a minimum amount of $250,000 (or, in each case, the lesser amounts as may be approved by Fannie Mae). The mortgage loans backing each Fannie Mae Security are to bear interest at a rate higher than each Fannie Mae Security (the "pass-through rate"). The difference between the interest rate on the mortgage loans and the pass-through rate on the Fannie Mae Security is to be collected by the Master Servicer and used to pay the Master Servicer's servicing fee and Fannie Mae's guaranty fee.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Securities that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the mortgage loans in the pools represented by the Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loan, whether or not that principal balance is actually received. **The obligations of Fannie Mae under these guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to the faith and credit of the United States. If Fannie Mae were unable to satisfy these obligations, distributions to the Trustee, as the registered holder of the Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, monthly distributions to the Trustee, as the holder of the Fannie Mae Securities, and payments on Outstanding Bonds would be affected by delinquent payments and defaults on those mortgage loans.**

Payments on the Mortgage Loans; Distributions on the Fannie Mae Securities

Payments on a Fannie Mae Security will be made on the 25th day of each month (beginning with the month following the month the Fannie Mae Security is issued), or, if the 25th day is not a business day, on the first business day next succeeding the 25th day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the mortgage loans in the related pool underlying the Fannie Mae Security during the period beginning on the second day of the month prior to the month of the distribution and ending on the first day of the month of distribution, (ii) the stated principal balance of any mortgage loan that was prepaid in full during the second month next preceding the month of the distribution (including as prepaid for this purpose at Fannie Mae's election any mortgage loan repurchased by Fannie Mae because of Fannie Mae's election to repurchase the mortgage loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae's election to repurchase that mortgage loan under certain other circumstances), (iii) the amount of any partial prepayment of a mortgage loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

For purposes of distributions, a mortgage loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of that mortgage loan has been received, whether or not that full amount is equal to the stated principal balance of the mortgage loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

THE MASTER SERVICER

On April 29, 2015, the Bond Finance Committee of THDA authorized negotiations with U.S. Bank to serve as Master Servicer for THDA's mortgage-backed securities program. THDA does not currently have an agreement with U.S. Bank or any other entity to serve as Master Servicer and THDA cannot provide assurances that such an agreement will be successfully negotiated. Unless and until a Master Servicer is in place, THDA will not purchase Fannie Mae Securities as described above.

APPENDIX D

DESCRIPTION OF AGREEMENTS WITH ORIGINATING AGENTS AND SERVICERS

Working Agreements

THDA has working agreements with each of its Originating Agents (the "Working Agreements"). Under the Working Agreements, THDA reviews and makes or purchases approved Program Loans which have been originated and processed by an Originating Agent.

Each Working Agreement also contains certain representations and warranties by the Originating Agent regarding the Program Loan applications submitted to THDA to the effect that the Originating Agent has no adverse information regarding the credit or reputation of the applicant nor adverse information concerning the real property to be mortgaged that would materially lessen THDA's security or detract from the subsequent marketability of the Program Loan. Each Originating Agent further represents and warrants that it will receive and process for THDA all applications by applicants for Program Loans who qualify as lower and moderate income persons.

The Working Agreement requires that Program Loans meet all requirements contained in THDA's rules and regulations and the O. A. Guide (as defined below). These requirements include, among other things:

(1) a deed of trust securing the Program Loan in a form approved by THDA which creates a valid first lien or other approved lien on the property;

(2) for FHA insured or VA or USDA/RD guaranteed Program Loans, all FHA, VA or USDA/RD rules, regulations and requirements must be met;

(3) evidence of title satisfactory to THDA;

(4) an original hazard insurance policy, delivered at closing, which covers the property subject to the Program Loan, names THDA as first mortgagee, and is in an amount not less than the greater of 90% of the insurable value of the improvements on the property or the full amount of the Program Loan; and

(5) such other documents as are necessary to comply with the federal tax code.

Penalties may be imposed on Originating Agents for violating the Working Agreements. At the option of THDA, Originating Agents may also be required to purchase a Program Loan from THDA when there is a violation under the Working Agreement with respect to the Program Loan. THDA may terminate Working Agreements upon notice, with or without cause or, at its election, temporarily suspend Originating Agent's privilege to originate Program Loans as a result of inadequate performance.

Guide for Originating Agents

THDA provides each Originating Agent with a Guide for Originating Agents (the "O. A. Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax code requirements. The O. A. Guide sets forth requirements and procedures for originating, processing and closing Program Loans. The Guide includes a procedural checklist to be followed by the Originating Agent and copies of all THDA forms required in originating, processing and closing Program Loans.

Servicing Agreements

THDA currently has agreements with U.S. Bank and Magna Bank (the "Servicers") to service Program Loans (the "Servicing Agreements"). U.S. Bank services approximately 83% of THDA's entire portfolio of mortgage loans. Magna Bank services the remainder. THDA itself is also permitted to service Program Loans on limited basis. The Servicing Agreements provide for the collection and remittance of Program Loan payments to THDA or a designated depository. Prior to remittance, the Servicer deducts a servicing fee, late charges and amounts to be held in escrow accounts for real property taxes, mortgage and hazard insurance premiums, and assessments. The servicing fee under current Servicing Agreements is 3/8% annually. The Servicer is required to notify THDA in the event of any default on a Program Loan, and the Servicer may conduct foreclosure proceedings with the consent and at the expense of THDA.

The Servicer is required to repurchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of the Servicer's failure to perform its obligations under the Servicing Agreement. THDA may also terminate a Servicing Agreement for inadequate performance by the Servicer.

Guide for Servicers

THDA provides each Servicer with a Guide for Servicers (the "Servicer Guide"), which is amended from time to time by THDA to reflect changes in THDA policy, statutory requirements or federal tax requirements. The Servicer Guide includes substantive servicing requirements, incorporates the limitation on assumption of mortgages contained in the federal tax code, and specifies the procedures to be followed by the Servicer to comply with THDA requirements and the federal tax code. The Servicer Guide also includes a list of the documents that must be maintained by the Servicer, copies of all THDA's servicing and loan assumption forms, together with instructions for their completion and a schedule for the submission of the required forms and reports to THDA.

THDA requires monthly reports from Servicers. Each Servicer's performance is monitored and its servicing record is subject to examination by THDA's staff. Examinations are performed monthly from documentation received from the Servicer.

Special Programs

For certain special programs, THDA may elect to enter into joint agreements for originating and servicing Program Loans made under such special programs. Any such joint agreements are substantially similar to the Working Agreements and Servicing Agreements described hereinabove.

APPENDIX E

2013 GENERAL RESOLUTION

This Appendix E includes the General Residential Finance Program Bond Resolution (the "2013 General Resolution") adopted by the THDA Board of Directors on January 29, 2013, as amended and supplemented by the Bond Finance Committee of the THDA Board of Directors on April 18, 2013.

TENNESSEE HOUSING DEVELOPMENT AGENCY

General Residential Finance Program Bond Resolution

Adopted January 29, 2013
as amended and supplemented
by the Bond Finance Committee of
THDA on April 18, 2013

ARTICLE V
FUNDS

ARTICLE VI
REDEMPTION OF BONDS

ARTICLE VII
PARTICULAR COVENANTS

ARTICLE VIII
SUPPLEMENTAL RESOLUTIONS

ARTICLE IX
AMENDMENTS

ARTICLE X
DEFAULTS AND REMEDIES

ARTICLE XI
CONCERNING THE FIDUCIARIES

ARTICLE XII
DEFEASANCE MISCELLANEOUS PROVISIONS

General Residential Finance Program Bond Resolution

***BE IT RESOLVED** by the Board of Directors of THDA as follows:*

ARTICLE I

SHORT TITLE, DEFINITIONS AND INTERPRETATION

Section 1.1. Short Title. This resolution may hereafter be cited by THDA and is hereinafter sometimes referred to as the "General Residential Finance Program Bond Resolution."

Section 1.2. Definitions. In this Resolution, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means one or more, as the case may be, of the Accounts established pursuant to this Resolution.

"*Accountant*" means the department of audit, division of state audit, in the office of the Comptroller of the Treasury of the State or an independent certified public accountant or firm of independent certified public accountants as may be selected in accordance with applicable laws and may be the accountant or firm of accountants who regularly audit the books and accounts of THDA.

"*Act*" means the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, Sections 13-23-01 et seq., as amended.

"*Aggregate Debt Service*" means, with respect to any particular Fiscal Year and as of any particular date of computation, the sum of the individual amounts of Debt Service for such Fiscal Year with respect to all Series.

"*Appreciation Bond*" means any Bond whose Issue Amount is less than 97.5% of the Maturity Amount.

"*Authorized Officer*" means the Chairman and Executive Director of THDA and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of THDA then authorized to perform such act or discharge such duty.

"*Bond" or "Bonds"* means any Residential Finance Program Bond authenticated and delivered under this Resolution and issued under a Supplemental Resolution.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by THDA.

"*Bondholder*" or "*holder*" or words of similar import, when used with reference to a Bond means the registered owner of any Outstanding Bond.

"*Bond Reserve Fund*" means the Bond Reserve Fund established pursuant to Section 5.1.

"*Bond Reserve Fund Requirement*" means, as of any date of calculation, the greater of (i) an amount equal to the aggregate of the respective amounts for each Series of Bonds, if any, established in the Supplemental Resolution authorizing such Series or (ii) an amount equal to 3% of the sum of (A) the then current balance of Program Loans (other than Program Loans underlying Program Securities) and (B) any amount on deposit in the Loan Fund which has not been designated to provide for the payment of Costs of Issuance, capitalized interest or the purchase of Program Securities.

"*Certificate*" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Resolution or (ii) the report of an accountant as to audit or other procedures called for by this Resolution.

"*Code*" means applicable provisions of the Internal Revenue Code of 1954, as amended, and the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"*Compounded Amount*" means, as of any particular date of calculation with reference to any Appreciation Bond, either (i) the applicable Compounded Amount for such date established by THDA in a written schedule of specific Compounded Amounts delivered to the Trustee upon delivery of such Bond pursuant to Section 2.6, or (ii) in the event such schedule is not delivered, the Issuance Amount, plus the amount which would have been produced as of such calculation date if the Issue Amount had been invested at the Internal Rate of Return for such Bond on the date of delivery of such Bond pursuant to Section 2.6. Any determination of Compounded Amount shall assume semi-annual compounding on each January 1 and July 1, straight line amortization during interim periods and be otherwise made in accordance with standard securities calculation methods.

"*Costs of Issuance*" means all items of expense, directly or indirectly payable or reimbursable by or to THDA and related to the authorization, sale and issuance of Bonds, including but not limited to discount to be paid to the underwriters upon the initial delivery of Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, initial premiums to obtain mortgage pool insurance, accrued interest in connection with the financing of Program Loans and any other cost, charge or fee in connection with the original issuance of Bonds.

"*Debt Service*" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Fiscal Year, plus (ii) any Principal Installment of such Bonds during such Fiscal Year.

"*Event of Default*" means any of the events specified in Section 10.1.

"*Federal Mortgage Agency*" means the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and such other public or private agencies or corporations as the United States Congress may create for the purpose of housing finance and which are an agency or instrumentality of the United States or sponsored thereby.

"*Fiduciary*" means the Trustee and any Paying Agent, or any or all of them as may be appropriate.

"*Final Compounding Date*" means either the maturity date of an Appreciation Bond or such earlier Interest Payment Date, if any, as may be specified in an Appreciation Bond upon which the Compounded Amount shall be equal to the amount payable on such Bond at maturity, exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year.

"*Fund*" means one or more, as the case may be, of the special Funds created and established pursuant to this Resolution.

"*Interest Payment Date*" means any date upon which interest on the Bonds is due and payable in accordance with their terms.

"*Internal Rate of Return*" when used with respect to an Appreciation Bond, means the yield which, when applied to Issuance Amount as of the date of delivery of a Bond pursuant to Section 2.6 and compounded semi-annually, results in an amount, as of the Final Compounding Date, equal to the amount payable on such Bond at maturity exclusive of interest on such Bond which is payable on a semi-annual basis.

"*Investment Securities*" means and includes any of the following obligations, to the extent the same are consistent with the then existing investment policy of THDA and at the time legal for investment of funds of THDA under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) bonds, notes and treasury bills of the United States of America or other obligations guaranteed as to principal and interest by the United States of America or any of its agencies;

(2) obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association;

(3) repurchase agreements for obligations of the United States of America or its agencies with any financial institution with long-term unsecured debt rated at least "AA" by S&P and "Aa3" by Moody's;

(4) certificates of deposit in banks and savings and loan associations recognized as "State Depositories" pursuant to Section 9-4-107 of the Tennessee Code Annotated; provided, that certificates of deposit are collateralized in accordance with Section 9-4-403 of the Tennessee Code Annotated, and provided, further, that the provider of such certificate of deposit shall have a long-term unsecured debt rating of at least "AA-" by S&P and "Aa3" by Moody's;

(5) prime commercial paper which shall be rated in the highest category by S&P and Moody's;

(6) prime banker's acceptances (having maturities of not more than 365 days) that are eligible for purchase by the federal reserve system, provided by any bank, the short-term obligations of which are rated at least "A-1+" by S&P and "P-1" by Moody's;

(7) guaranteed investment contracts with any financial institution with a long-term unsecured debt rating of at least "AA" by S&P and "Aa3" by Moody's; provided that such guaranteed investment contract shall have a termination date no later than five and one half years from the date of issuance of the related series of Bonds, except that the termination date with respect to a guaranteed investment contract for any funds on deposit in the Bond Reserve Fund shall be no later than the maturity date of the related series of Bonds; and

(8) any other investments which, at the time of such investment, are authorized for investment of funds of THDA under the Act and would not adversely affect the then current rating assigned to the Bonds.

"*Issuance Amount*" means the price, exclusive of accrued interest (if any), at which a Bond was offered for sale to the public (or the price of such Bond to the initial purchaser if not publicly sold) at the time of issuance thereof by THDA pursuant to Section 2.6, irrespective of underwriter's compensation, commissions, placement agent's fees, concessions, Costs of Issuance, or similar costs.

"*Loan Fund*" means the Loan Fund established in Section 5.1.

"*Maturity Amount*" means the amount payable on an Appreciation Bond at maturity of such Bond, exclusive of interest, if any, on such Bond which is payable on a semi-annual basis.

"*Moody's*" means Moody's Investors Service, Inc., and any successor.

"*Non-Mortgage Receipts*" means all interest earned or gain realized in excess of losses as a result of the investment of the amount in any Fund, but shall not include Revenues.

"*Non-Mortgage Receipts Account*" means the Non-Mortgage Receipts Account established in the Revenue Fund pursuant to this Resolution.

"*Outstanding*," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Resolution except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in the Redemption Fund hereunder either:

(a) moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the Redemption Date;

(b) Investment Securities, as described in Section 12.1(B), in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the Redemption Date; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.6, Section 6.6 or Section 9.6; and

(4) any Bond deemed to have been paid as provided in subsection (B) of Section 12.1.

"*Paying Agent*" means any bank or trust company designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"*Permitted Encumbrances*" means (i) intervening liens of contractors, subcontractors, suppliers of materials and equipment and laborers as to which, by a bond or letter of credit or other lawful means acceptable to THDA, indemnity has been provided or similar steps to secure the interest of THDA have been taken, (ii) ad valorem property taxes ratably accrued but not yet due and payable, (iii) severed mineral estates or interests, owned by others, which are of a kind customary with respect to residential housing in the area in which the premises are located and (iv) such other liens, encumbrances, reservations and other clouds on title as THDA shall determine do not impair the use or value of the premises.

"*Principal Installment*" means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in subsection 5.3(D), of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

"*Program*" means the various programs for the financing of loans for residential housing established by THDA pursuant to the Act and Program Guidelines, as the same may be amended from time to time consistent with this Resolution, but only to the extent that such programs are financed through the issuance of Bonds or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Resolution.

"*Program Expenses*" means all of THDA's expenses in carrying out and administering its duties and corporate purposes under the Act and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Fiduciaries, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization and life and disability insurance benefits, payments for insurance against losses on the pool of Program Loans and payments to maintain letters of credit obtained to secure the ability of THDA to pay, redeem or purchase Bonds. Program Expenses may also include amounts for establishing and maintaining a two-month reserve to pay operating costs and a reasonable reserve for losses and expenses estimated to be incurred by THDA and amounts appropriate to reimburse THDA for Program Expenses paid from other sources. Program Expenses shall include the amount of any rebate required to be calculated and set aside by THDA pursuant to applicable federal tax law. THDA in its discretion may calculate the rebate amount annually or at the end of such other periods that it may choose as long as the first rebate calculation and all succeeding rebate calculations are performed no later than required by applicable federal tax law.

"*Program Guidelines*" means the Program Guidelines adopted by THDA for the Program as in effect on the date of adoption of this Resolution and as revised, amended, altered or supplemented from time to time in accordance with the Act.

"*Program Loan*" means any obligation, including a participation interest therein, acquired by THDA by the expenditure of amounts in the Loan Fund. Such Program Loan shall be made to finance the acquisition of residential housing, or if authorized by a Supplemental Resolution, to finance costs of improvements to or rehabilitation of residential housing or to provide down payment and closing cost assistance. If authorized by a Supplemental Resolution, the term "Program Loan" shall also include a Program Security backed by a pool of Program Loans satisfying any conditions as may be set forth in such Supplemental Resolution.

"*Program Loan Loss Coverage*" means that portion of the principal amount of Program Loans outstanding which must be treated as a loss for purposes of maintaining the current ratings on the Bonds.

"*Program Security*" means an obligation representing an undivided interest in a pool of Program Loans issued and acquired pursuant to the Program, to the extent the payments to be made on such obligation are guaranteed or insured by a Federal Mortgage Agency.

"*Projected Cash Flow Statement*" means a Certificate delivered pursuant to the provisions of Section 7.11.

"*Rating Agency*" means any nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of THDA; initially, Moody's and S&P.

"*Redemption Account*" means the Redemption Account which is established and created in the Revenue Fund pursuant to this Resolution.

"*Redemption Date*" means the date upon which Bonds are to be called for redemption pursuant to this Resolution.

"*Redemption Price*" means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"*Refunding Bond*" means any Bond authenticated and delivered on original issuance pursuant to Section 2.7 or thereafter authenticated and delivered in lieu of or in substitution for any such Bond pursuant to this Resolution.

"*Resolution*" means this Resolution and any amendments or supplements made in accordance with its terms.

"*Revenue Fund*" means the Revenue Fund established pursuant to Section 5.1.

"*Revenues*" means, upon receipt thereof by THDA, all payments proceeds, rents, charges and other cash income received by THDA from or on account of any Program Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, principal and interest on any Program Loan) or Program Security, but excludes (i) any amount retained by a servicer of any Program Loan as compensation for services rendered in connection with such Program Loan, (ii) any payments for the guaranty or insurance of any Program Loan or Program Security, (iii) any payments of taxes, assessments or similar charges or premiums or other charges for fire or other hazard insurance (and any escrow payments in connection therewith) called for by any Program Loan and (iv) payments or charges constituting construction performance or completion reserves required pursuant to a Program Loan.

"*S&P*" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, and any successor.

"*Series*" means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"*Sinking Fund Payment*" means, as of any particular date of calculation, the amount required to be paid at all events by THDA on a certain future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by THDA by reason of the maturity of a Bond or by call for redemption at the election of THDA.

"*State*" means the State of Tennessee.

"*Supplemental Resolution*" means any resolution supplemental to or amendatory of this Resolution, adopted by THDA and effective in accordance with Article VIII.

"*THDA*" means the Tennessee Housing Development Agency, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of THDA.

"*Trustee*" means U.S. Bank National Association, the Trustee appointed as provided in Section 11.1 and its successor or successors and any other person at any time substituted in its place pursuant to this Resolution.

Section 1.3. Interpretation. In this Resolution, unless the context otherwise requires:

(1) the terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Resolution, refer to this Resolution, and the term "heretofore" means before, and the term "hereafter" means after, the date of adoption of this Resolution;

(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

(5) if at any time there shall be one person who shall be the holder of all of the Outstanding Bonds and the consent of the Trustee shall be required, the consent of such person shall be required in lieu of the consent of the Trustee, unless such person shall have been notified and shall not have consented within a reasonable period of time;

(6) this Resolution shall be governed by and construed in accordance with the applicable laws of the State;

(7) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of said Bond;

(8) the date upon which any Sinking Fund Payment is required to be paid pursuant to this Resolution and the provisions of the Bonds of each Series shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(9) the verb "finance", when used with reference to a Program Loan, shall be construed to include (i) the making or purchase of such Program Loan (ii) the participation by THDA, either with itself or with others, in the making or purchase thereof or (iii) the permanent financing of a Program Loan which has been temporarily financed by THDA through the issuance of notes or other obligations or otherwise;

(10) references to the payment of the Bonds shall be deemed to include references to the payment of interest thereon;

(11) any moneys, documents, securities, obligations or other items received by the Trustee pursuant to the terms of this Resolution shall be deemed to have been received by THDA;

(12) any reference in this Resolution to principal or interest on bonds which is payable on a certain date or during a certain period of time is a reference to an amount payable on such date or during such period and does not include the obligation to pay any principal or interest after such date or period;

(13) any reference to the principal amount of Bonds shall be a reference to the Maturity Amount or the Compounded Amount thereof as of any particular date of computation in the case of Appreciation Bonds and shall mean the amount, irrespective of interest, payable upon the maturity of any Bond which is not an Appreciation Bond;

(14) references to "semi-annual" payments of interest or compounding of yield refer to payment or compounding on January 1 and July 1 of each year; and

(15) the "Compounded Amount" of an Appreciation Bond represents an accrual of the principal amount thereof payable at maturity and does not represent interest thereon, except that, for purposes of determining the Redemption Price of a Bond, the priority of payments under Section 10.3 and the required principal amount in connection with approvals and consents of Bondholders pursuant to this resolution, any

increase in the Compounded Amount occurring since the most recent Interest Payment Date shall be treated as if it were interest.

(B) Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than THDA, the Fiduciaries and the holders of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of THDA, shall be for the sole and exclusive benefit of THDA, the Fiduciaries and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of THDA or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Resolution or of the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.1. Authorization for Resolution and Bonds. This Resolution and the issuance of Bonds hereunder have been duly authorized by THDA and the principal amount of Bonds that may be issued hereunder is not limited except as provided herein or by law. THDA has ascertained and it is hereby determined and declared that the adoption of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of THDA in accordance with the Act and to carry out powers expressly given in the Act, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the purposes of THDA under the Act.

Section 2.2. Resolution to Constitute Contract. The provisions of this Resolution shall be deemed to be and shall constitute a contract among THDA, the Trustee and the holders from time to time of the Bonds. The pledges and assignments made hereby and the provisions, covenants and agreements herein set forth to be performed by or on behalf of THDA shall be for the equal benefit, protection and security of the holders of any and all of such Bonds, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in this Resolution.

Section 2.3. Obligation of Bonds.

(A) This Resolution creates an issue of Bonds of THDA and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest on such Bonds, including any Sinking Fund Payments for the retirement thereof. The Bonds shall be special, limited obligations of THDA payable solely from the revenues and assets pledged therefor pursuant to this Resolution. The Bonds shall not be deemed to constitute a debt, liability, or obligation of the State or of any other political subdivision thereof, and neither the full faith and credit, nor the taxing power of the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds. The Bonds shall contain on their face a statement that THDA shall not be obligated to pay the Bonds, nor the interest thereon, except from the revenues or assets pledged by THDA therefor and that neither the full faith and credit, nor the taxing power of the State or of any political subdivision thereof, is pledged to the payment of the principal of or the interest on the Bonds.

(B) The Revenues and Non-Mortgage Receipts and all amounts held in any Fund or Account, including investments thereof, are hereby pledged to secure the payment of the Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the provisions of this Resolution, subject only to the provisions of this Resolution permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. In addition, subject to the provisions of subsection 10.2(D), THDA hereby pledges and assigns, to secure the payment of the Bonds, all right, title and interest of THDA in and to the Program Loans, including any extensions and renewals thereof. To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and such lien shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice hereof.

Section 2.4. Authorization of Bonds. In order to provide sufficient funds for the operation of the Program or for the refunding of Bonds, bonds of THDA are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided by law. No Bonds shall be issued unless they are part of an issue described in a Supplemental Resolution and until the conditions contained in Section 2.6 or, in the case of Refunding Bonds, Section 2.7 are satisfied.

Section 2.5. Issuance and Delivery of Bonds. After their authorization by THDA, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication and, upon compliance by THDA with the requirements of Section 2.6 and, in the case of Refunding Bonds, Section 2.7, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of THDA.

Section 2.6. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be executed by THDA for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to THDA or upon its order, but only upon the receipt by the Trustee of:

(1) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

(a) the authorized principal amount (by reference to the amount payable at maturity thereof) and designation of such Bonds;

(b) the purposes for which such Bonds are being issued, which shall be one or more of the following: (i) the making of deposits into the Loan Fund, (ii) the making of deposits in at least the amounts, if any, required by this Resolution into the Revenue Fund and Bond Reserve Fund, (iii) the refunding of any Bonds, or (iv) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds (or the manner of determining such dates);

(d) the interest rates of such Bonds (or the manner of determining such rate or rates) and the Interest Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering, such Bonds;

(f) the Paying Agents and the places of payment of such Bonds or, subject to Article XI, the manner of appointing and designating the same;

(g) the Redemption Prices, if any, of and, subject to the provisions of Article VI, the redemption terms for such Bonds or the manner of determining such Redemption Prices or terms of redemption;

(h) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds of like maturity or the manner of determining such amounts and dates;

(i) provisions for the time, place and manner of such sale of such Bonds, as provided in the Act;

(j) provisions concerning the forms of such Bonds and of the Trustee's certificate of authentication; and

(k) any other provisions deemed advisable by THDA as shall not conflict with the provisions hereof;

(2) a Bond Counsel's Opinion to the effect that (i) such Supplemental Resolution and any other authorization or determination necessary as a condition precedent to the delivery of such Bonds has been duly and lawfully adopted or made and is in full force and effect; (ii) this Resolution has been duly and lawfully authorized, executed and delivered by THDA and is valid and binding upon, and enforceable against, THDA (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (iii) this Resolution creates the valid pledge which

it purports to create of the Revenues and of moneys and securities or deposit in any of the Funds established hereunder, including the investments, if any, thereof, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (iv) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Resolution;

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer and attaching a schedule of Compounded Amounts in the event THDA wishes to specify such amounts with respect to any Appreciation Bonds which constitute a portion of such issue;

(4) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to Section 4.1;

(5) except in the case of the initial Series of Bonds hereunder, a Certificate of an Authorized Officer stating that the conditions of Section 7.14 for the issuance of additional Bonds have been met;

(6) a Projected Cash Flow Statement, as of the date of such delivery, complying with the conditions of subsection 7.11(C); and

(7) such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Resolution entered into pursuant to Article VIII.

Section 2.7. Conditions Precedent to Delivery of Refunding Bonds.

(A) In addition to the requirements of Section 2.6, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(1) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the obligations to be refunded (which may include Bonds, or bonds or other obligations of THDA issued pursuant to THDA resolutions other than the Resolution) and the payment or redemption dates, if any, upon which such obligations are to be paid or redeemed;

(2) if the obligations to be refunded are to be redeemed subsequent to the next succeeding ninety days, irrevocable instructions to the Trustee to give, in accordance with the appropriate resolution of THDA which authorized the issuance of such obligations, notice of the redemption of such obligations on a specified date prior to their redemption date; and

(3) either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the obligations to be refunded, together with accrued interest on such obligations to the due date or redemption date, or (ii) Investment Securities as described in subsection (B) of Section 12.1 (or, as applicable, such other investments as required by the appropriate resolution of THDA which authorized the issuance of such obligations to cause such obligations to be similarly defeased), the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or redemption price of the obligations to be refunded, together with accrued interest on such obligations to the redemption dates or dates of maturity thereof, which moneys or appropriate investments shall be held by the Trustee or any one or more of the Paying Agents in the Redemption Fund, or, as applicable, by the Trustee under the resolution of THDA which authorized the issuance of such obligations.

(B) To the extent the obligations being refunded are Bonds issued hereunder, except as provided in Section 12.1 or paragraph 10.2(A)(6), neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (A)(3) of this Section or principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in subsection 12.1(B) maturing at times and in amounts sufficient to pay when due the

principal or applicable Redemption Price of such Bonds, together with such accrued interest. Nothing in this Section, however, is intended to restrict the use of amounts received on account of any portion of the principal or interest on any Investment Securities deposited pursuant to subsection (A) above which are in excess of the amounts required to be so deposited in order to provide moneys sufficient to pay when due the applicable principal or Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds and, to the extent such Bonds have been deemed to have been paid within the meaning of Section 12.01, such amounts may be pledged by THDA and withdrawn by THDA as received and applied to any purpose of THDA, free and clear of the lien of this Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Medium of Payment, Denomination, Maturities, Form and Date.

(A) The Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) Except as may otherwise be provided in a Supplemental Resolution, all Bonds shall be in the denomination of $5,000 each or in denominations of any whole multiple thereof.

(C) Except as may otherwise be provided in a Supplemental Resolution, the date upon which any Principal Installment with respect to a Series of Bonds is payable shall be the first day of any January or July. Except as may otherwise be provided in a Supplemental Resolution, interest on each Bond shall be payable semiannually on the first day of any January or July commencing, with respect to any Series of Bonds, on the January 1 or July 1 set forth in the Supplemental Resolution adopted in connection with the issuance of such Series.

(D) Bonds shall be issued in fully registered form, without coupons.

(E) All Bonds shall bear interest from their date unless another date for the accrual of interest thereon is specified in such Bond. Interest may be made payable at a final or variable rate, based on the principal amount of the Bond (including the Compounded Amount from time to time), or upon any other amount specified in the Bond or incorporated therein by reference. Upon the original delivery of the Bonds or an exchange or transfer of Bonds pursuant to Section 3.5 or Section 3.6 hereof, the Trustee shall note the date of authentication on each Bond to be delivered. Each Bond delivered upon transfer or in exchange for or in lieu of any other Bond shall carry all the right to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise.

Section 3.3. Interchangeability of Bonds. Upon surrender thereof at the principal or corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, Bonds may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.6, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any of the authorized denominations.

Section 3.4. Negotiability and Registry. All the Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, THDA shall maintain and keep, at the principal or corporate trust office of the Trustee, books for the registration, transfer and exchange of Bonds. So long as any of the Bonds remain Outstanding, THDA shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

Section 3.5. Transfer of Bonds.

(A) Except as provided for in Section 3.7 herein, each fully registered Bond shall be transferable only upon the books of THDA, which shall be kept for such purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written

instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such fully registered Bond, THDA shall issue in the name of the transferee a new fully registered Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond.

(B) THDA and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of THDA as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither THDA nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.6. Regulations With Respect to Exchanges and Transfers. Except as provided for in Section 3.6 herein, in all cases in which the privilege of exchanging or transferring Bonds is exercised, THDA shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, THDA or the Trustee may make a charge sufficient to reimburse it for any expenses of THDA or the Trustee in connection therewith and for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except with respect to the delivery of definitive Bonds in exchange for temporary Bonds or as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. If the Bonds are not registered with a central depository system as provided in Section 3.7, THDA shall not be obliged to make any such exchange or transfer of Bonds (i) during the ten days preceding an Interest Payment Date on such Bonds, (ii) during the ten days preceding the date of the mailing of notice of any proposed redemption of Bonds, or (iii) with respect to any particular Bond, after such Bond has been called for redemption. THDA may, by written notice to the Trustee, establish a record date for the payment of interest or for the giving of notice of any proposed redemption of Bonds, but such record date shall be not more than ten days preceding an Interest Payment Date on such Bonds or, in the case of any proposed redemption of Bonds next preceding the date of the first redemption of Bonds.

Section 3.7. Central Depository System.

(A) Notwithstanding the other provisions of this Resolution regarding registration, ownership, transfer, Bondholder consent, payment and exchange of Bonds, and the giving of notices of Bondholders as required by the provisions of this Resolution, a Supplemental Resolution may provide that all or a portion of Bonds shall be issued as book-entry only Bonds and registered in the name of a central securities depository or its nominee (the "Central Securities Depository"), in which case matters relating to registration, ownership, transfer, consent, payment and exchange of Bonds, and relating to the giving of notices to Bondholders as required by the provisions of this Resolution, shall be governed by the operational arrangements of such Central Securities Depository.

(B) With respect to Bonds registered in the registry books kept by the Trustee in the name of a Central Securities Depository, THDA and the Trustee shall have no responsibility or obligation to any participant or to any beneficial owner. Without limiting the immediately preceding sentence, THDA and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Central Securities Depository or any participant with respect to any ownership interest in the Bonds, (ii) the delivery to any participant, any beneficial owner or any other person other than the Central Securities Depository, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any participant, any beneficial owner or any other person, other than the Central Securities Depository, of any amount with respect to the principal of or premium, if any or interest on the Bonds. THDA and the Trustee may treat as and deem the Central Securities Depository to be the absolute owner of each Bond, for the purpose of payment of the principal of and premium and interest on such Bond for the purpose of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Central Securities Depository, and all such payments shall be valid and effective to fully satisfy and discharge THDA's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than the Central Securities Depository shall receive an authenticated Bond evidencing the obligation of THDA to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by the Central Securities Depository to the Trustee of written notice to the effect that the Central Securities Depository has determined to substitute a new nominee, and subject to the provisions herein with respect to consents, the words "Central Securities Depository" in this Resolution shall refer to such new nominee of the Central Securities Depository.

(C) Upon receipt by THDA and the Trustee of written notice from the Central Securities Depository to the effect that the Central Securities Depository is unable or unwilling to discharge its responsibilities and no substitute the Central Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the registry books of THDA kept by the Trustee in the name of the Central Securities Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(D) In the event THDA determines that it is in the best interests of the beneficial owners that they be able to obtain Bond certificates and subject to the operational arrangements of such Central Securities Depository, THDA may notify the Central Securities Depository and the Trustee, whereupon the Central Securities Depository will notify the participants, of the availability through the Central Securities Depository of Bond certificates. In such event, the Trustee shall issue, transfer and exchange Bond certificates as requested by the Central Securities Depository and any other Bondowners in appropriate amounts, and whenever the Central Securities Depository requests THDA and the Trustee to do so, the Trustee and THDA will cooperate with the Central Securities Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Bond to any Central Securities Depository participant having Bonds credited to its Central Securities Depository account or (ii) to arrange for another Central Securities Depository to maintain custody of certificates evidencing the Bonds.

(E) In connection with any notice of other communication to be provided to Bondholders pursuant to this Resolution by THDA or the Trustee with respect to any consent or other action to be taken by Bondholders, THDA or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Central Securities Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

(F) Any transfer of a Bond affected in accordance with this Section 3.7 shall be subject to applicable laws of the State.

Section 3.8. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, THDA shall execute and the Trustee shall authenticate a new Bond of like interest rate, maturity, principal amount and other terms as the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of Bonds issued in lieu of and substitution for a Bond which have been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to THDA and the Trustee that such Bond have been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing THDA and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as THDA and the Trustee may prescribe and pay such expenses as THDA and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to THDA.

Section 3.9. Preparation of Definitive Bonds; Temporary Bonds.

(A) Definitive Bonds shall be typed, lithographed or printed on steel engraved borders; provided, that Bonds which are held by a Central Securities Depository shall be in form acceptable to such Central Securities Depository. Until definitive Bonds are prepared THDA may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations of $5,000 or such other denomination as may be authorized for such Bonds or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, THDA at its own expense shall prepare and execute and, without charge to the holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive Bonds of the same aggregate principal amount, Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.10. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with

all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may at any time be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with THDA and the other executed Certificate shall be retained by the Trustee. Notwithstanding the foregoing, Bonds purchased by THDA shall not be cancelled to the extent that upon such purchase THDA shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond shall be purchased but not cancelled and (ii) in the event the interest on such Bonds is excludable from gross income for purposes of federal income taxation, a Bond Counsel's Opinion to the affect that the failure to cancel such Bond will not, in and of itself, adversely affect such excludability.

Section 3.11. Execution and Authentication.

(A) After their authorization by a Supplemental Resolution, Bonds of a Series may be executed by or on behalf of THDA and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of THDA by the manual or facsimile signature of the Chairman, Vice Chairman or Executive Director of THDA and the corporate seal of THDA (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bonds of a Series may be signed and sealed on behalf of THDA by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by THDA, although the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Resolution authorizing such Bonds, executed manually by the Trustee. No Bond shall be entitled to any right or benefit under this Resolution or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of THDA shall be conclusive evidence that the Bond so authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. The proceeds of sale of any Series of Bonds, other than the proceeds of Refunding Bonds, shall, as soon as practicable upon the delivery thereof by the Trustee pursuant to Section 2.6 be applied as follows:

(1) the amount, if any, necessary to cause the amount on deposit in the Bond Reserve Fund to at least equal the Bond Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Bond Reserve Fund, together with such additional amount, if any, as may be specified in the Supplemental Resolution authorizing such Series; and

(2) the balance remaining after such deposit has been made shall be applied as specified in the Supplemental Resolution or as provided in a Certificate of an Authorized Officer.

Section 4.2. Application of Amounts in the Loan Fund. No amount in the Loan Fund shall be expended or applied for the purpose of financing Program Loans except upon compliance with the provisions of subsection 5.2(C). In addition, no Program Loan shall be financed unless such Program Loan (i) complies in all respects with the Act in effect on the date of financing and (ii) complies with any additional program covenants or requirements contained in the related Supplemental Resolution.

Section 4.3. Application of Proceeds of Refunding Bonds. The proceeds of the Refunding Bonds of a Series shall be deposited in the Redemption Account or the Debt Service and Expense Account as provided in the Supplemental Resolution authorizing such Bonds.

Section 4.4. Deposits. Except as provided in Sections 2.7 and 12.1 and subject to the right of THDA to direct the deposit of funds, whenever such amounts are not invested in Investment Securities, the Trustee shall, if permitted by law, deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of this Resolution in interest-bearing time deposits or certificates of deposit, or may enter into repurchase agreements or make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor. Each such interest-bearing time deposit, repurchase agreement or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed by THDA to be expended and, except to the extent that any such deposits shall be insured by the United States of America or the Federal Deposit Insurance Corporation, or its successor, on terms which in the judgment of THDA (as expressed in written instructions to the Trustee) provide reasonable liquidity, all moneys in each such interest-bearing time deposit, certificate of deposit, repurchase agreement or other similar banking arrangement shall be either continuously and fully secured under the laws of the State as determined by Board of Directors of THDA by Investment Securities (or other obligations rated in either of the two highest rating categories by a nationally recognized rating service) having a market value equal at all times to the amount of the interest-bearing time deposit, repurchase agreement, certificate of deposit or other similar banking arrangement. Notwithstanding the foregoing, repurchase agreements and other similar arrangements may also be entered into with government bond dealers reporting to, trading with and recognized as primary dealers by a Federal Reserve Bank and may be entered into with any other person if (i) all amounts payable thereunder, are fully and continuously secured by Investment Securities of the type described in clauses (1) through (6) of the definition thereof in Section 1.2, (ii) the Trustee shall receive confirmation that such securities are being held for the benefit (and subject to the direction) of the Trustee by a national bank or member bank of the Federal Reserve System other than the obligor under such arrangement and (iii) the market value of the Investment Securities being held shall be maintained at a level sufficient to maintain the then current rating on the Bonds by each Rating Agency.

Section 4.5. Investment of Certain Funds.

(A) Subject to the right of THDA to direct the investment or deposit of funds hereunder in accordance with this Section, moneys in any Fund shall be continuously invested and reinvested or deposited and redeposited in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing current return (with proper preservation of principal) and minimizing the instances of uninvested funds. THDA shall consult with the Trustee from time to time as to the investment of amounts in the Funds established or confirmed by this Resolution. THDA may direct the Trustee to, or in the absence of direction, the Trustee shall, invest and reinvest the moneys in any Fund in Investment Securities in accordance with this Section and toward the objective that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended.

(B) Investment Securities purchased as an investment of moneys in any Fund held by the Trustee under the provisions of this Resolution shall be deemed at all times to be a part of such Fund but, except as may be otherwise provided for amounts deposited in the Redemption Fund in connection with the issuance of Refunding Bonds, the income or interest earned and gains realized in excess of losses suffered by a Fund due to the investment thereof shall be deposited as Non-Mortgage Receipts in the Non-Mortgage Receipts Account or shall be credited as Non-Mortgage Receipts to the Non-Mortgage Receipts Account from time to time and reinvested.

(C) The Trustee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Security purchased by it pursuant to this Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for which such investment was made or whenever, in the discretion of THDA, any such sale or presentment is necessary in compliance with Section 7.9. The Trustee shall advise THDA in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund in its custody under the provisions of this Resolution as of the end of the preceding month.

Section 4.6. Valuation and Sale of Investments.

(A) In computing the amount in any Fund, obligations purchased as an investment of moneys therein shall be valued at market, except that for purposes of determining the Bond Reserve Fund Requirement, Investment Securities shall be valued at amortized value. Amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a

premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made as soon as practicable prior to each Interest Payment Date and at any other time required hereunder, and on any particular date shall not include the amount of interest then earned or accrued to such date on any investment.

(B) Except as otherwise provided herein, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. An Investment Security may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another.

ARTICLE V

FUNDS

Section 5.1. Establishment of Funds.

(A) THDA hereby establishes and creates the following special trust funds:

(1) Loan Fund;

(2) Revenue Fund; and

(3) Bond Reserve Fund.

(B) All such Funds shall be held and maintained by the Trustee and shall be identified by THDA and the Trustee according to the designations herein provided in such manner as to distinguish such Funds from the Funds established by THDA for any other of its obligations. All moneys or securities held by the Trustee pursuant to this Resolution shall be held in trust and applied only in accordance with the provisions of this Resolution and the Act.

(C) This Resolution contemplates the establishment of Subaccounts within the Funds created pursuant to this Resolution. In addition to the Subaccounts established hereunder, the Trustee may from time to time, establish, close and reestablish such additional Funds, Accounts or Subaccounts as may be requested by THDA for convenience of administration of the Program and as shall not be inconsistent with the provisions of this Resolution. Notwithstanding anything in this Resolution to the contrary, including Section 2.2 hereof, to the extent provided in a Supplemental Resolution authorizing a Series of Bonds, THDA may cause the Trustee to establish a Subaccount into which the net proceeds of such Series of Bonds shall be deposited, held, applied and invested separate and apart from all other funds on deposit hereunder and such Supplemental Resolution may provide that initial proceeds of such Bonds on deposit therein are pledged solely to certain of the Bonds of such Series.

Section 5.2. Loan Fund.

(A) There shall be deposited from time to time in the Loan Fund any amount required to be deposited therein pursuant to this Resolution and any other amounts determined to be deposited therein from time to time.

(B) Amounts in the Loan Fund shall be expended only (i) to finance Program Loans, in accordance with Section 4.2; (ii) to pay Costs of Issuance; (iii) to make deposits in the Debt Service and Expense Account, representative of capitalized interest, in the manner provided in subsection (D) of this Section; (iv) to redeem Bonds in accordance with subsection (E) of this Section; and (v) to provide amounts for deposit in the Debt Service and Expense Account in accordance with subsection (F) of this Section. All Program Loans financed by application of amounts in the Loan Fund shall be credited to the Loan Fund.

(C) THDA shall maintain accurate records in the office of THDA describing for each Program Loan the amounts applied to the financing of such Program Loan and the persons and dates related to such payments. Upon the direction by THDA to apply amounts on deposit to the financing of Program Loans an Authorized Officer shall certify that, as to the Program Loans expected to be financed (i) the terms of such Program Loans will conform to the description of the Program Loans to be financed from such amount as set forth in the most recent Projected Cash Flow Statement delivered to the Trustee and (ii) such Program Loans will comply with the provisions of Section 4.2. The

Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Fund at any time for the purpose of making payments pursuant to this Section only upon receipt of:

(1) a written requisition setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include THDA) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(2) a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from the Loan Fund pursuant to such requisition is a proper charge thereon.

(D) At least one day prior to each Interest Payment Date THDA shall deliver to the Trustee a Certificate of an Authorized Officer setting forth the amount necessary, in the opinion of such Authorized Officer, to pay interest on the Bonds of each Series from the amount on deposit in the Loan Fund, after giving effect to the actual and expected application of amounts therein to the financing of Program Loans as of the date of such Certificate. Upon receipt of such Certificate the Trustee shall transfer the amount so stated for each Series to the Debt Service and Expense Account, but only to the extent that the cumulative amount of such transfers does not exceed for each Series the amount stated as necessary to be reserved in the Loan Fund for the purpose of paying capitalized interest pursuant to the Projected Cash Flow Statement delivered in connection with the delivery of such Series pursuant to subsection 7.11 plus the amount, if any, certified by an Authorized Officer as available for such purpose from amounts originally reserved in the Loan Fund for the payment of capitalized interest and Costs of Issuance with respect to other Series in excess of the amounts actually required therefor.

(E) At any time THDA may direct the Trustee in writing to transfer amounts in the Loan Fund to the Redemption Account or to apply such amounts directly to the redemption, purchase or retirement of Bonds in accordance with their terms and the provisions of Article VI.

(F) THDA may at any time direct the Trustee to transfer amounts in the Loan Fund to the Revenue Fund, but only if there is delivered to the Trustee a Projected Cash Flow Statement showing the amount to be so transferred and that, after giving effect to such transfer, such Statement complies with subsection 7.11(C).

Section 5.3. Revenue Fund.

(A) The Trustee shall establish and create within the Revenue Fund three Accounts into which amounts shall be deposited and from which amounts shall be transferred as provided in this Section. These Accounts shall be designated as the Debt Service and Expense Account, the Redemption Account and the Non-Mortgage Receipts Account. THDA shall cause all Revenues to be deposited promptly with the Trustee (at least monthly) and such amounts shall be deposited in the Debt Service and Expense Account. There shall also be deposited in the Debt Service and Expense Account any other amounts required to be deposited therein pursuant to this Resolution.

(B) The Trustee shall pay out of the Debt Service and Expense Account to the respective Paying Agents for any of the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Outstanding Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments. Upon receipt of appropriate requisitions and certificates reflecting such payment in the form prescribed by subsection 5.2(C), amounts on deposit in the Debt Service and Expense Account may be applied to the payment of accrued interest in connection with the financing of any Program Loan.

(C) Prior to the forty-fifth day preceding the due date of each Sinking Fund Payment, any amount accumulated in the Debt Service and Expense Account up to the unsatisfied balance of such Sinking Fund Payment may, and if so directed in writing by an Authorized Officer of THDA shall, be applied (together with amounts accumulated in the Revenue Fund with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee as follows:

(1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of said Sinking Fund Payment plus unpaid interest

accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or

(2) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer at the time of such purchase or redemption. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (K) of this Section (or the original amount of any such Sinking Fund Payment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculating Sinking Fund Payments due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 6.3, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of a principal amount of the Bonds of such maturity equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service and Expense Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service and Expense Account to the appropriate Paying Agents on the date preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) Upon delivery by THDA to the Trustee of a Certificate of an Authorized Officer which states the amount then on deposit in the Debt Service and Expense Account, the Trustee shall promptly transfer from the Debt Service and Expense Account an amount equal to the amount stated in such Certificate as follows:

FIRST: From amounts representing principal payments on Program Loans, the amount, if any, as shall be required by the Code to be applied to the redemption of Bonds shall be transferred to the Redemption Account.

SECOND: From the amount, if any, so available after the transfer provided above has been made, the amount, if any, as shall be required to make any arbitrage rebate payment to the United States of America as required by the Code shall be transferred to THDA to be applied to such payment.

THIRD: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, by which the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement shall be transferred to the Bond Reserve Fund.

FOURTH: From the amount, if any, so available after the transfers provided above have been made, the amount needed to pay reasonable and necessary Program Expenses which are due and owing shall be transferred to THDA, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

FIFTH: From the amount, if any, so available after the transfers provided above have been made, the amount, if any, to be transferred to the Loan Fund shall be so transferred, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

SIXTH: From the amount, if any, so available after any transfers provided for above have been made, the remaining amount may be transferred to the Redemption Account upon the direction of THDA and thereafter applied in accordance with subsection (I) of this Section. If the amount of Program Loans (valued at par) and

Investment Securities held by the Trustee hereunder (other than Investment Securities in the Redemption Account) valued in accordance with this Resolution, is greater than 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, then the amount remaining, up to such excess above the 102% of the principal amount of all Bonds Outstanding plus the Program Loan Loss Coverage, may be withdrawn from the Debt Service and Expense Account at any time during the then current Fiscal Year, upon receipt by the Trustee of a Certificate to such effect from an Authorized Officer of THDA, to be applied to any purpose of THDA consistent with Section 7.9, free and clear of the lien of any pledge of this Resolution, provided that such transfer is in an amount less than or equal to the amount of such transfer as set forth in the most recent Projected Cash Flow Statement. The Trustee may transfer an amount greater than the amount as set forth in the most recent Projected Cash Flow Statement upon receipt of a Certificate of an Authorized Officer containing an amended Projected Cash Flow Statement that reflects such greater amount and complies with subsection 7.11(C).

(G) Notwithstanding any other provision of this Section, the Trustee may at any time, upon the written direction of an Authorized Officer, (i) make transfers from the Debt Service and Expense Account to the Bond Reserve Fund, or the Redemption Account or (ii) make payments to THDA for the purpose of paying reasonable and necessary Program Expenses for the then current Fiscal Year. No such transfer or payment shall be made, however, unless such withdrawal is in an amount less than or equal to the amount of such withdrawal as set forth in the most recent Projected Cash Flow Statement.

(H) Notwithstanding the provisions of subsection (A) of this Section, no payments shall be required to be made into the Debt Service and Expense Account so long as the amount on deposit therein shall be sufficient to pay all Outstanding Bonds (including the Sinking Fund Payments for the retirement thereof) in accordance with their terms and the Bonds have been defeased in accordance with Section 12.1 hereof; any Revenues thereafter received by THDA may be applied to any corporate purpose of THDA free and clear of the lien of the pledge of this Resolution.

(I) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Resolution and any other amounts available therefor and determined by THDA to be deposited therein. Subject to the provisions of the respective Series of Bonds and to the provisions of the respective Supplemental Resolutions authorizing the issuance thereof and authorizing the issuance of Refunding Bonds, all amounts deposited in the Redemption Account shall be applied to the payment, purchase or redemption of Bonds, at the earliest practicable Redemption Date. Subject to the provisions of this Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in this Section and Article VI. Any earnings derived from the investment of amounts deposited in the Redemption Account pursuant to Section 2.7 shall, to the extent required to provide amounts sufficient for the payment or redemption of Bonds in accordance with the conditions for issuance of Refunding Bonds set forth in said Section, be deposited in the Redemption Account. Amounts on deposit in the Redemption Account for the payment, purchase or redemption of any particular Bonds in accordance with the provisions of any Supplemental Resolution authorizing the issuance of Refunding Bonds, including amounts derived from the investment thereof as provided in this subsection, shall be segregated and shall be identified as such on the records of the Trustee.

(J) Except as may be otherwise provided in connection with the issuance of Refunding Bonds, at any time prior to the forty-fifth day upon which Bonds are to be paid or redeemed from such amounts, the Trustee may apply amounts in the Redemption Account to the purchase of any of the Bonds which may be paid or redeemed by application of amounts on deposit therein. THDA may, however, by delivery to the Trustee of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of THDA. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as THDA shall from time to time direct or, in the absence of such direction, as the Trustee may determine in its sole discretion and as may be possible with the amounts then available therefor. The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Resolution on any date or dates within thirteen months after such purchase, in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase Bonds at a price less than the Redemption Price at which such Bonds were to be redeemed, then, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the difference between the amount of such purchase price and the amount of such Redemption Price, and deposit the same in the Debt Service and Expense Account within the Revenue Fund.

(K) Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Account, there shall be credited toward each such Sinking Fund Payment thereafter to become due an amount as nearly as may be practicable in multiples of $5,000 (or such other denomination as shall be authorized for the related Series of Bonds) bearing the same ratio to such Sinking Fund Payment, as the total principal amount of such Bond so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

(L) Except as otherwise specifically provided herein, the Trustee shall have no obligation to purchase or attempt to purchase Bonds at a price below the Redemption Price or at any other price and any arm's length purchase by the Trustee shall conclusively be deemed fair and reasonable.

(M) All Non-Mortgage Receipts shall be deposited, promptly upon receipt by the Trustee, in the Non-Mortgage Receipts Account. The Trustee shall maintain records sufficient to determine the average daily balance of the amounts on deposit in the Loan Fund and the Bond Reserve Fund and the Debt Service and Expense Account and Redemption Account in the Revenue Fund (referred to in this Section as the "average daily balance"). If so directed by THDA, the Trustee shall maintain such for each Series of Bonds separately.

(N) Not later than each Interest Payment Date, the Trustee shall transfer from the Non-Mortgage Receipts Account to the Debt Service and Expense Account an amount equal to the lesser of (i) the amount needed to enable the Trustee to pay Debt Service on the Bonds on such Interest Payment Date and (ii) the balance then on deposit in the Non-Mortgage Receipts Account. If at any time the amount available prior to any Interest Payment Date shall be insufficient for the making of the transfers provided by this Subsection, then the Trustee shall make transfers to the Debt Service and Expense Account from the Non-Mortgage Receipts Account from the first available Non-Mortgage Receipts received subsequent to such Interest Payment Date and the amount so transferred shall not reduce the amount required to be transferred prior to the next Interest Payment Date.

(O) Any amount remaining in the Non-Mortgage Receipts Account after the transfer to the Debt Service and Expense Account described in paragraph (N) above shall be transferred, at the direction of an Authorized Officer, to the Loan Fund or the Redemption Account.

Section 5.4. Bond Reserve Fund.

(A) If on any Interest Payment Date or Redemption Date for the Bonds the amount in the Revenue Fund and the Redemption Fund, if applicable, shall be less than the amount required for the payment of the Principal Installments and interest due on the Outstanding Bonds on such date, the Trustee shall apply amounts from the Bond Reserve Fund to the extent necessary to make good the deficiency.

(B) If, concurrently with any allocation from the Revenue Fund pursuant to subsection (B) or (F) or (G) of Section 5.3, the amount on deposit in the Bond Reserve Fund, shall be in excess of the Bond Reserve Fund Requirement, the Trustee may, if so directed in writing by an Authorized Officer of THDA, transfer the amount of such excess to the Redemption Account.

(C) Whenever the amount in the Bond Reserve Fund, together with the amount in the Revenue Fund, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), amounts on deposit in the Revenue Fund shall be transferred to the Bond Reserve Fund. Prior to said transfer all investments held in the Revenue Fund shall be liquidated and any Bonds constituting a part of such Fund shall be deemed paid and cancelled.

(D) It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such other terms as may be specified in this Resolution, in the Bonds and in the respective Supplemental Resolutions authorizing the issuance of such Bonds and authorizing the issuance of Refunding Bonds.

Section 6.2. Redemption at the Election or Direction of THDA; Conditional Notice. In the case of any redemption of Bonds otherwise than as provided in Section 6.3, THDA shall give written notice to the Trustee of its election or direction so to redeem, on the Redemption Date, the principal amounts of the Bonds of such Series and maturities to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by THDA in its sole discretion, subject to any limitations with respect thereto as may be provided in a Supplemental Resolution or otherwise contained in or permitted by this Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least forty-five days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in Section 6.5, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise THDA shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof all the Bonds to be redeemed; provided, however, that any election or direction to redeem Bonds may be conditional, and THDA may elect or direct that any notice of redemption given pursuant to Section 6.5 shall be made conditional, upon the deposit with the Paying Agent of such sufficient moneys or other conditions. THDA shall promptly notify the Trustee in writing of all such payments made by THDA to a Paying Agent.

Section 6.3. Redemption Otherwise Than at THDA's Election or Direction. Whenever by the terms of this Resolution, the Trustee is required to redeem Bonds otherwise than at the election or direction of THDA, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article V, the Trustee shall select the Redemption Date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, interest rate and maturity, the Trustee shall assign to each such Outstanding fully registered Bond a distinctive number for each $5,000 of the principal amount thereof so as to distinguish each such $5,000 from each other portion of the Bonds subject to such redemption. The Trustee shall select by lot, using such method of selection as it shall deem proper in its sole discretion, from the numbers assigned to such Bonds, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds bearing the numbers so selected; but only so much of the principal amount of each such fully registered Bond of a denomination or more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. For the purposes of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding. In the case of Appreciation Bonds, in the event that the Compounded Amount of any such Bond shall be less than $5,000, the Trustee shall assign a number to such Bond as if the Bond had a principal amount equal to $5,000 for purposes of this Section. If a Supplemental Resolution provides for a minimum denomination larger (or smaller) than $5,000, all references in this Section to $5,000 shall be deemed to refer to such larger (or smaller) minimum denomination. Notwithstanding the foregoing, Bonds that are held by a Central Securities Depository (or beneficial ownership interests in Bonds registered in the name of a Central Securities Depository or its nominee) shall be selected for redemption in accordance with the operational arrangements of such Central Securities Depository.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from THDA of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Resolution pursuant to Section 6.3, the Trustee shall give notice, in the name of THDA, of the redemption of such Bonds. Such notice shall specify the complete official name, the Series (and subseries, if applicable), the maturities, the interest rate, and the CUSIP number of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such place(s)) and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. In addition, if the notice of redemption is conditional, the notice shall set forth in summary terms, the conditions precedent to such redemption and

that if such conditions shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and such Bonds shall not be redeemed. Such notice shall further state that, assuming the due satisfaction of all conditions precedent to the redemption, if any, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail such notice, postage prepaid, not less than twenty days (or in such manner or such shorter period as required by the operational arrangements of the Central Securities Depository if all Bonds are registered with a single Central Securities Depository as provided in Section 3.7 hereof) and not more than sixty days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but receipt of such notice shall not be a condition precedent to such redemption and failure of a Bondholder to receive such notice shall not affect the validity of the proceedings for the redemption of other Bonds.

Section 6.6. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 6.5 and assuming that all conditions precedent have been satisfied, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of portions of Bonds, a written instrument of exchange duly executed by the registered owner or his duly authorized attorney. If there shall be drawn for redemption less than the entire principal amount of a Bond, THDA shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable.

If any notice of redemption pursuant to Section 6.5 is given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient moneys to pay the Redemption Price therefor on the Redemption Date and if such moneys sufficient to pay the Redemption Price and accrued interest have not been made available by THDA to the Trustee or the appropriate Paying Agent or Paying Agents on the Redemption Date, such notice of redemption shall be cancelled and be without effect and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding. The Trustee shall, within two business days after the proposed Redemption Date, give notice, in the manner in which the notice of redemption was given, that such conditions were not satisfied.

ARTICLE VII

PARTICULAR COVENANTS

THDA covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 7.1. Performance. THDA shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of THDA under the provisions of the Act and this Resolution in accordance with the terms of such provisions.

Section 7.2. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of THDA, shall be within every debt and other limit prescribed by law.

Section 7.3. Power to Issue Bonds and Pledge Revenues, Funds and Other Property. THDA is duly authorized under all applicable laws to authorize and issue the Bonds and to enter into, execute and deliver this Resolution and to pledge the assets and revenues purported to be pledged hereby in the manner and to the extent herein provided. The assets and revenues so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate or other action on the part of THDA to that end has been and will be duly and validly taken. The Bonds and the provisions

of this Resolution are and will be the valid and legally enforceable obligations of THDA in accordance with their terms and the terms of this Resolution. THDA shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under this Resolution, and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

Section 7.4. Payment of Bonds. THDA shall duly and punctually pay or cause to be paid, as herein provided, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

Section 7.5. Extension of Payment of Bonds. THDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon and in the event that the maturity of any of the Bonds or the time for payment of interest thereon shall be extended, such Bonds, shall not be entitled to the benefit of this Resolution or to any payment out of the Funds established pursuant to this Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extension. Nothing herein shall be deemed to limit the right of THDA to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.6. Offices for Servicing Bonds. THDA shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon THDA in respect of the Bonds or of this Resolution may be served. The Trustee shall maintain such office or agency for the registration, transfer or exchange of Bonds and for the service of such notices, presentations and demands upon THDA. THDA may appoint one or more additional or other Paying Agents as its respective agents to maintain such offices or agencies for the payment of the Bonds of any particular Series and maturity.

Section 7.7. Further Assurance. At any and all times THDA shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and assets hereby pledged or assigned, or intended so to be, or which THDA may become bound to pledge or assign.

Section 7.8. Waiver of Laws. THDA shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law not or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by THDA.

Section 7.9. Tax Covenants.

(A) Subject to subsection (C) of this Section, THDA shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(B) THDA shall not permit at any time or times any of the proceeds of the Bonds or any other funds of THDA to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148(a) of the Code.

(C) Notwithstanding the foregoing, THDA hereby reserves right to elect to issue Bonds the interest on which is not exempt from federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this Section shall not apply to such Bonds.

Section 7.10. Accounts and Reports.

(A) THDA shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Program Loans and all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) THDA shall annually, within 210 days after the close of each Fiscal Year, file with the Trustee a copy of the financial statements of THDA for such Fiscal Year, setting forth in reasonable detail:

(1) the balance sheet for THDA and its programs, showing the assets and liabilities of the Program at the end of such Fiscal Year;

(2) a statement of THDA's revenues and expenses in accordance with the categories or classifications established by THDA for its operating and program purposes and showing the revenues and expenses of the Program during such Fiscal Year; and

(3) a statement of changes in financial position, including changes in financial position of the Program, as of the end of such Fiscal Year.

The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of THDA at the end of the Fiscal Year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(C) If at any time during any Fiscal Year there shall have occurred an Event of Default, then THDA shall file with the Trustee, within forty-five days after the close of such Fiscal Year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Fund hereunder.

(D) Any such financial statements may be presented on a consolidated or combined basis with other reports of THDA, but only to the extent that such basis of reporting shall be consistent with that required under subsection (B) of this Section.

(E) A copy of each annual Projected Cash Flow Statement prepared in accordance with Section 7.11 hereof and any special report filed pursuant to subsection (C) of this Section and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by THDA to each Bondholder who shall have filed his name and address with THDA for such purposes.

Section 7.11. Periodic Delivery of Projected Cash Flow Statement.

(A) THDA shall file a Projected Cash Flow Statement with the Trustee (i) whenever Bonds are issued pursuant to Section 2.6, (ii) on or within thirty (30) days after THDA's filing of its financial statements as provided in Section 7.10(B), if a Projected Cash Flow Statement has not been filed within the prior year and (iii) at such other times as required by this Resolution or as may be required by a Supplemental Resolution.

(B) A Projected Cash Flow Statement shall set forth projected Revenues, Program Expenses and interest payments and Principal Installments for each year during which Bonds will be Outstanding based upon the reasonable expectations of THDA at the time such Certificate is filed. A Projected Cash Flow Statement shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon THDA's reasonable expectations at the time such Projected Cash Flow Statement is filed. The listing of Revenues from Program Loans and Investment Securities shall be supported by a schedule identifying the Program Loans and Investment Securities by maturity and interest rate, including Program Loans expected to be financed with amounts in the Loan Fund.

(C) A Projected Cash Flow Statement shall be considered to comply with this subsection if such Statement shows that (i) the estimated Revenues for each annual period in which Bonds will be Outstanding, together with any amount scheduled to be withdrawn from the Bond Reserve Fund (and permitted to be so withdrawn pursuant to this Resolution), will be sufficient for the payment of the estimated Debt Service and Program Expenses for such annual period, and (ii) the total assets (consisting of cash and investments, valued as provided herein, and the principal balance of Program Loans) held hereunder equal to or exceed the total liabilities of all Bonds Outstanding hereunder for each such annual period.

Section 7.12. The Program.

(A) THDA shall from time to time with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of this Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Program,

to finance Program Loans pursuant to the Act and this Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including diligent enforcement of the prompt collection of all arrears on Program Loans and, if not inconsistent with sound banking practices and principles, consent to modification of repayment terms of the Program Loans), sufficient to pay the expenses of the Program and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of THDA to protect its rights with respect to or to maintain any insurance on Program Loans and to enforce all terms, covenants and conditions of Program Loans including the collection, custody and prompt application of all escrow payments required by the terms of a Program Loan for the purposes for which they were made.

(B) Whenever necessary in order to protect and enforce the interests and security of the holders of the Bonds, THDA shall commence foreclosure or pursue other appropriate remedies with respect to any Program Loan which is in default. In the event that THDA shall, in its discretion, determine such action to be in the best interests of the holders of the Bonds, THDA may bid for and purchase the premises covered by any such Program Loan at any foreclosure sale thereof and may otherwise take possession of or acquire such premises.

(C) THDA may at any time sell, assign or otherwise dispose of a Program Loan (or the premises to which such Program Loan related) or a Program Security:

(1) in the case of a Program Loan, in the event that payment under such Program Loan is delinquent more than ninety days or, at any time, in order to realize the benefits of insurance with respect to such Program Loan or premises;

(2) in order to obtain funds to provide for the redemption or purchase of an amount of Bonds the debt service on which is equivalent to the payments on the Program Loan; or

(3) a Projected Cash Flow Statement shall be filed with the Trustee which gives effect to the proposed sale thereof and complies with the conditions set forth in subsection 7.11(C).

Section 7.13. Personnel and Servicing of Programs.

(A) THDA shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Act and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by THDA shall be qualified for their respective positions.

(B) THDA may pay to any agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for THDA.

(C) THDA shall duly and properly service all Program Loans and enforce the payment and collection of all payments of principal and interest and all Escrow Payments or shall cause such servicing and/or enforcing to be done by a servicer evidencing, in the judgment of THDA, the capability and experience necessary to adequately service Program Loans. Each such servicer shall enter into a servicing agreement providing that:

(1) all amounts received by such servicer, except as compensation for its services, shall be promptly transferred to the Trustee subject to and in accordance with the provisions of this Resolution;

(2) such servicer shall at all times remain qualified to act as such pursuant to such standards as THDA shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Program Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in THDA's sole discretion, and shall maintain individual files for each Program Loan serviced pursuant to the servicing agreement and provide regular reports to THDA as to collections and delinquencies with respect to all Program Loans serviced by such servicer.

Section 7.14. Issuance of Additional Obligations.

(A) THDA shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which, except as provided in Section 5.1(C) hereof, will be secured by a superior or equal charge and lien on the revenues and assets pledged hereunder, except that additional Series of Bonds may be issued from time to time subsequent to the issuance of the initial Series of Bonds under this Resolution on a parity with the Bonds of such initial Series of Bonds and secured, except as provided in Section 5.1(C) hereof, by an equal charge and lien on the revenues and assets pledged hereunder and payable equally therefrom for one or more of the purposes set forth in Section 2.4.

(B) No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under this Resolution unless an Authorized Officer shall have certified that:

(1) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) upon the issuance and delivery of such additional Bonds, the amount credited to the Bond Reserve Fund is at least equal to the Bond Reserve Fund Requirement, as valued not more than five (5) Business Days prior to the date of issuance of such additional Bonds;

(3) the provisions of Section 2.6 or, in the case of Refunding Bonds, Section 2.7 shall have been complied with as of the date of delivery of such Series;

(4) except in the case of Refunding Bonds, at the time of issuance of such additional Bonds, THDA shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution; and

(5) upon the issuance of such Series and application of the proceeds thereof in accordance with Article IV hereof, the amount of Program Loans and Investment Securities credited to all Funds and Accounts hereunder, other than the Redemption Account, when valued in accordance with this Resolution, will be equal to the principal amount of Outstanding Bonds, including the Bonds thereupon being issued.

(C) THDA hereby expressly reserves the right to enter into or adopt one or more additional indentures or resolutions for its purposes, including the purposes of the Program, and reserves the right to issue other obligations for such purposes.

Section 7.15. Bond Reserve Fund.

(A) THDA shall at all times maintain the Bond Reserve Fund created and established by Section 5.1 and do and perform or cause to be done and performed each and every act and thing with respect to the Bond Reserve Fund provided to be done or performed by or on behalf of THDA or the Trustee or the Paying Agents under the terms and provisions of Article V hereof. It is hereby expressly provided that the Bond Reserve Fund shall not constitute a "debt service reserve fund" within the meaning of Section 13-23-122(a) of the Act or any similar successor provision and there shall be no obligation, moral or otherwise, on the part of the State to apportion any funds to maintain the Bond Reserve Fund.

(B) Notwithstanding any other provisions of this Resolution the Trustee shall not permit amounts to be withdrawn from the Bond Reserve Fund other than pursuant to subsection 5.4(A) unless there shall have been filed with the Trustee a Certificate of an Authorized Officer stating that such amounts are not required to be retained therein to provide funds for the payment of Principal Installments or interest on Outstanding Bonds when due.

Section 7.16. Assignment of Program Loans Upon Default. Upon the happening of an Event of Default specified in Section 10.2 and at the written request of the Trustee or of the holders of not less than 25% in principal amount of the Outstanding Bonds, THDA shall deliver the Program Loans to the Trustee and take any other steps requested by the Trustee or such Bondholders in order to further effectuate the assignment of all of the Program Loans to the Trustee. If, however, the Trustee and the Bondholders are restored to their positions in accordance with Section 10.4, the Trustee shall assign such Program Loans back to THDA.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.1. Supplemental Resolutions Effective Upon Filing With the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of THDA may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Resolution on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) to add to the covenants and agreements of THDA in this Resolution other covenants and agreements to be observed by THDA which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(3) to add to the limitations and restrictions in this Resolution other limitations and restrictions to be observed by THDA which are not contrary to or inconsistent with this Resolution as thereupon in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon THDA by the terms of this Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of THDA contained in this Resolution;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of the Revenues and Non-Mortgage Receipts or of any other revenues or assets;

(6) to accommodate the conversion of the Program to the purchase of Program Securities in addition to or in lieu of Program Loans;

(7) to modify any of the provisions of this Resolution in any respect whatever, but only if either (i) such modification shall not materially adversely affect the interest of the Bondholders (as to any change relating to security for the Bonds, evidence that such change, at the time of such change, will not, in and of itself, impair, or cause the Bonds to fail to retain, the then-existing rating(s) assigned to them by the Rating Agencies, shall constitute sufficient evidence that such change does not materially adversely affect the interest of the Bondholders) or (ii) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding; or and, with respect to (ii) above, such modification is disclosed in any offering documents of THDA for Bonds issued subsequent to the date of adoption of the Supplemental Resolution; or

(8) to authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued.

Section 8.2. Supplemental Resolutions Effective Upon Consent of Trustee.

(A) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and THDA of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect; or

(3) to provide for additional duties of the Trustee in connection with the Program Loans.

(B) Any such Supplemental Resolution may also contain one or more of the purposes specified in Section 8.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 8.3. Supplemental Resolutions Effective Upon Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX. Any such Supplemental Resolution shall become fully effective in accordance with its terms upon the filing with the Trustee a copy thereof certified by an Authorized Officer and upon compliance with the provisions of Article IX.

Section 8.4. General Provisions.

(A) This Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of THDA to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.7 or the right or obligation of THDA to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Resolution.

(B) Any Supplemental Resolution permitted or authorized by Section 8.1 or 8.2 may be adopted by THDA without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon THDA.

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by Section 8.1, 8.2 or 8.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Bond Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(D) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX

AMENDMENTS

Section 9.1. Mailing and Publication of Notice of Amendment. Any provision in this Article for the mailing of a notice to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of THDA and (ii) to the Trustee.

Section 9.2. Powers of Amendment. Any modification of or amendment to this Resolution and of the rights and obligations of THDA and of the holders of the Bonds hereunder, in any particular, may be made by a Supplemental Resolution, but only, in the event such Supplemental Resolution shall be adopted pursuant to Section 8.3, with the written consent given as provided in Section 9.3, (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, however, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its

written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on THDA and all holders of Bonds.

Section 9.3. Consent of Bondholders.

(A) A copy of any Supplemental Resolution making a modification or amendment which is not permitted by the provisions of Section 8.1 or 8.2 (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed, by first class mail postage prepaid, by THDA to the holders of any registered Bond. Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 9.2 and (b) a Bond Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by THDA in accordance with the provisions of this Resolution, is authorized or permitted hereby and is valid and binding upon THDA and enforceable in accordance with its terms.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14. A Certificate by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the holders of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 11.14. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with THDA and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by THDA on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by THDA by mailing such notice to the Bondholders, first class mail, postage prepaid, (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this Section). THDA shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon THDA, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period, except that any Fiduciary and THDA during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Section 9.4. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of THDA and of the holders of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by THDA of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification or amendment to Bondholders either by mailing or publication shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of THDA shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and THDA shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, THDA shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by THDA and the Trustee as to such action, and in that case upon demand of the holder of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If THDA or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and THDA shall be prepared, executed, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity, then Outstanding, upon surrender of such Bonds. All Bonds surrendered in such an exchange shall be cancelled by the Trustee.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is hereby declared an "Event of Default":

(1) payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise shall not be made when and as the same shall become due; or

(2) payment of any installment of interest on any of the Bonds shall not be made within thirty days after the same shall become due; or

(3) THDA shall fail or refuse to comply with the provisions of this Resolution, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than 5% in principal amount of the Outstanding Bonds.

Section 10.2. Remedies.

(A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1 the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1 the Trustee may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds (75% with respect to acceleration of the Bonds pursuant to clause (5) below) shall proceed, in its own name, subject to the provisions of Section 11.3, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require THDA to receive and collect Revenues and Non-Mortgage Receipts adequate to carry out the covenants and agreements as to, and the assignment of, the Program Loans and to require THDA to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require THDA to account as if it were the trustee of an express trust for holders of the Bonds;

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of the holders of not less than 25% in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(6) in the event that all Bonds are declared due and payable, by selling Program Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from THDA for principal, Redemption Price, interest or otherwise, under any provisions of this Resolution or a Supplemental Resolution or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against THDA for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Non-Mortgage Receipts and of the assets of THDA relating to the Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, THDA hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Resolution, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Program Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default.

(A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, subject to Section 10.11, hereof as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of

principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to THDA, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case THDA, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction

Section 10.6. Limitation on Rights of Bondholders.

(A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Resolution unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or by law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing contained in this Article shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of THDA to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section, or any other provision of this Resolution, each holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party

litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Resolution.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Resolution to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, that, except in the case of default in the payment of the principal of or Redemption Price, if any, or interest on any of the Bonds, or in the making of any payment required to be made into the Loan Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee and, (ii) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee.

(A) The Bond Finance Committee of THDA has been delegated the responsibility for choosing the initial Trustee pursuant to this Resolution. The Trustee shall signify its acceptance of the duties and obligations of the Trustee by executing a written acceptance of its obligations under this Resolution.

(B) The Trustee is hereby vested with all of the rights, powers and duties of a Trustee permitted to be appointed by Bondholders pursuant to the Act and the right of Bondholders to appoint a trustee pursuant to the Act is hereby abrogated as permitted by the Act.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents.

(A) THDA shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent. The Trustee is hereby appointed as a Paying Agent.

(B) Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by a written instrument of acceptance executed and delivered to THDA and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of THDA for the payment of the Bonds.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of THDA and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or in respect of the security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to THDA. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to THDA, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee shall be liable to THDA, the holders of any of the Bonds or any other person for any act or omission done or omitted to be done by such Trustee in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Resolution or for any act or omission done or omitted in good faith and without willful or reckless misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by THDA to any Fiduciary shall be sufficiently executed if executed in the name of THDA by an Authorized Officer.

Section 11.5. Compensation. THDA shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees (whether or not litigation ensued and, if so, fees on trial and any appeal therefrom) and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under this Resolution. THDA further agrees to indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds issued hereunder with the same rights it would have if it were not a Fiduciary. Any Fiduciary may permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may participate as a lender under the Program and may sell Program Loans to THDA. Except as otherwise provided by THDA, no Fiduciary may act as an underwriter with respect to the issuance of any Bonds.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty days' written notice to THDA, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 11.8. Removal of Trustee. The Trustee shall be removed by THDA if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and THDA and signed by the holders of a majority

in principal amount of the Bonds then Outstanding or their attorney-in-fact duly authorized, excluding any Bonds held by or for the account of THDA. THDA may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of THDA by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee.

(A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, THDA covenants and agrees that it will thereupon appoint a successor Trustee.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to THDA written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least $100,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to THDA, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of THDA, or of its successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from THDA be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by THDA. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee’s authority to act pursuant to this Resolution shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Resolution as Trustee.

Section 11.11. Merger, Consolidation or Sale. Any company into which any Fiduciary or its trust department may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Resolution provided that the certificate of authentication of the Trustee shall have.

Section 11.13. Resignation or Removal of the Paying Agent and Appointment of Successor.

(A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty days' written notice to THDA and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent, and the Trustee and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by THDA and (subject to the requirements of Section 7.6) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least $25,000,000, and willing and able to accept the office of Paying Agent, on reasonable and customary terms acceptable to THDA and authorized by law to perform all the duties imposed upon it by this Resolution.

(B) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds.

(A) Any request, consent or other instrument which this Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable:

(1) the fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) the amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a Certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depositary or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depositary the Bonds described in such Certificate. Continued ownership after the date stated in such Certificate may be proved by the presentation of such Certificate if the Certificate contains a statement by such officer that the depositary held the Bonds therein referred to on the date of the Certificate and that they will not be surrendered without the surrender of the Certificate to the depositary, except with the consent of the Trustee, and a Certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by THDA or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All documents received by a Fiduciary under the provisions of this Resolution or any Supplemental Resolution (or microfilm, microcard or similar photographic or scanned reproduction thereof) shall be retained in its possession and shall be subject at all reasonable times to the inspection of THDA, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

ARTICLE XII

DEFEASANCE
MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance.

(A) If THDA shall pay or cause to be paid to the holders of the Bonds, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of THDA, execute and deliver to THDA all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to THDA all moneys or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If THDA shall pay or cause to be paid, or there shall otherwise be paid, to the holders of any Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of THDA to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) Bonds and interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by THDA of funds for such payment or redemption or otherwise) shall, at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, THDA shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, THDA shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on such Bonds; but any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on such Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to THDA, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this Section, Investment Securities mean and include only direct and general obligations of the State or obligations guaranteed by the State or such obligations as are described in clause (1) of the definition of Investment Securities herein.

(C) If, through the deposit of moneys by THDA or otherwise, the Fiduciaries shall hold, pursuant to this Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which THDA shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of THDA all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or the redemption of such Outstanding Bonds. If all or a portion of the moneys made available to pay the principal of and interest on Outstanding Bonds at maturity or prior redemption shall have been derived from the issuance of refunding obligations of THDA, upon the written direction of THDA, the Fiduciaries shall reallocate or transfer all moneys, securities, Program Loans or Program Securities as shall be required by operation of the transferred proceeds provisions of the Code.

(D) Anything in this Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal of or interest on any Bonds which remain unclaimed for five years (or such other period of time required by abandoned property laws of the State) after the date when all of such principal or interest, as the case may be, have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years (or such other period of time required by abandoned property laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, to the extent required by State law, be paid by the Fiduciary to the State Treasurer or other appropriate official free from trust, and otherwise at the written request of THDA, be repaid by the Fiduciary to THDA, as its absolute property and free from trust, and, in either such case, the Fiduciary shall thereupon be released and discharged.

Section 12.2. Notice by Electronic Means. Any notice, direction or other communication given hereunder from THDA to the Rating Agencies or any Fiduciary or from any Fiduciary to THDA or the Rating Agencies, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation or delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Time, and otherwise on the next business day.

Section 12.3. Notices to Rating Agencies. To the extent not otherwise provided herein, the Trustee shall provide written notice to the Rating Agencies of any of the following occurrences: (i) the defeasance or discharge of this Resolution within the meaning of Section 12.1 hereof, (ii) the downgrade of the provider of any Investment Security described in paragraph (3) or (7) of the definition thereof below the rating requirement included in such paragraphs and the substitution of any provider thereof; (iii) the resignation or removal of the Trustee, (iv) the appointment of a successor Trustee, and (v) any amendment of this Resolution or any Supplemental Resolution.

Section 12.4. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of THDA contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of THDA and not of any officer or employee of THDA in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any member, officer or employee of THDA or any natural person executing the Bonds.

Section 12.5. Security Instrument. A certified copy of this Resolution, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Tennessee.

Section 12.6. Effective Date. This Resolution shall take effect immediately.

APPENDIX F

OTHER THDA FINANCINGS, THDA FUNDS AND THDA ACTIVITIES

Other Financings

General Housing Finance Resolution (the "2009 General Resolution")

THDA has issued bonds in the initial aggregate principal amount of $823,850,000 under the 2009 General Resolution which were outstanding as shown on the table below after giving effect to releases from escrow and conversion, redemptions and regularly scheduled payments of principal and accretion of interest:

Issue of Bonds	Issue/Release Date	Issued	Released from Escrow/Converted	Amount Outstanding as of July 31, 2015 (unaudited)	Original Net Interest Cost[(1)]
2009-A	December 23, 2009	$100,000,000	--	$ 18,840,000	3.96%
2010-A/ 2009-B, Subseries B-1	June 17, 2010	74,710,000	$ 85,290,000	31,060,000	3.85
2010-B/ 2009-B, Subseries B-2	November 10, 2011	40,000,000	60,000,000	71,670,000	3.15
2011-A/ 2009-B, Subseries B-3	April 14, 2011	40,000,000	60,000,000	22,020,000	3.70
2011-B/ 2009-B, Subseries B-4	August 25, 2011	40,000,000	60,000,000	78,225,000	3.01
2011-C/ 2009-B, Subseries B-5	November 3, 2011	65,290,000	34,710,000	78,295,000	3.01
Issue 2015-A	May 28, 2015	163,850,000		163,850,000	2.78
TOTAL		$523,850,000	$300,000,000	$463,960,000	

(1) Bond yield.

As of July 31, 2015, 4,602 mortgage loans in the approximate aggregate principal amount of $426,437,799 were outstanding under the 2009 General Resolution.

THDA may, in the future, elect to issue new bonds under the 2009 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 2009 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for the general purposes of THDA only as provided in the 2009 General Resolution.

General Homeownership Program Bond Resolution (the "1985 General Resolution")

THDA has issued $1,587,690,000 total original principal amount of Bonds under the 1985 General Resolution, which were outstanding as shown on the table below:

Issue of Bonds	Dated	Issued	Outstanding as of July 31, 2015 (unaudited)	Original Net Interest Cost[(1)]
2006-1	April 27, 2006	$100,000,000	$ 23,835,000	4.66
2006-2	July 27, 2006	100,000,000	22,225,000	4.86
2006-3	October 31, 2006	100,000,000	30,085,000	4.58
2007-1	March 13, 2007	100,000,000	33,675,000	4.49
2007-2	June 6, 2007	120,000,000	44,190,000	4.53
2007-3	August 7, 2007	150,000,000	50,415,000	4.77
2007-4	October 30, 2007	150,000,000	55,605,000	4.79
2008-1	May 29, 2008	60,000,000	21,530,000	4.93
2008-3	September 30, 2008	90,000,000	17,430,000	5.00
2009-1	June 11, 2009	50,000,000	26,290,000	4.39
2009-2	September 30, 2009	75,000,000	39,195,000	4.06
2010-1	October 13, 2010	120,700,000	61,760,000	3.57
2011-1	December 1, 2011	141,255,000	95,730,000	3.80
2012-1	July 19, 2012	133,110,000	100,780,000	3.26
2012-2	November 15, 2012	97,625,000	80,425,000	2.92
TOTAL		$1,587,690,000	$703,170,000	

(1) Bond yield.

As of July 31, 2015, 10,839 mortgage loans in the approximate aggregate principal amount of $750,062,454 were outstanding under the 1985 General Resolution.

THDA may, in the future, elect to issue new bonds under the 1985 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1985 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1985 General Resolution.

Housing Bond Resolution (Mortgage Finance Program)(the "1974 General Resolution")

All bonds then outstanding under the 1974 General Resolution were refunded by the Issue 2013-1 Bonds issued under the General Resolution. All assets, including mortgage loans, cash, and investments valued as of June 30, 2014, then remaining under the 1974 General Resolution were transferred to the General Resolution.

THDA may, in the future, elect to issue new bonds under the 1974 General Resolution. The mortgage loans and investments financed with the proceeds of any new bonds issued under the 1974 General Resolution and the revenues therefrom will be pledged to the payment of such bonds (and will not be pledged to the payment of the Bonds, including the Offered Bonds) and will be available for general purposes of THDA only as provided in the 1974 General Resolution.

Other Information

The State Treasurer is the treasurer of THDA and is the custodian of the assets of THDA, except for those assets required to be in the custody of the Trustee pursuant to the provisions of the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt. The Board of Directors of THDA has adopted an investment policy for THDA assets, other than its mortgage assets (the "non-mortgage assets"). These non-mortgage assets are invested only in investments authorized by the Act, THDA's investment policy, the General Resolution, the 2009 General Resolution, the 1985 General Resolution, the 1974 General Resolution or any other resolution THDA may adopt, and by the Treasurer. The Treasurer has delegated all duties and responsibilities in connection with THDA's investment of THDA non-mortgage assets to the Executive Director of THDA.

APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THDA BELIEVES TO BE RELIABLE, BUT THDA TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THDA NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT OR INDIRECT PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC DIRECT OR INDIRECT PARTICIPANT, OR BY ANY DTC DIRECT OR INDIRECT PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BONDS.

NEITHER THDA, NOR THE TRUSTEE, REGISTRAR OR PAYING AGENT, NOR ANY UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS), WILL HAVE ANY OBLIGATION TO THE DIRECT DTC PARTICIPANTS OR THE INDIRECT DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to THDA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Trustee or THDA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or THDA. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

10. THDA may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

APPENDIX H

RESIDENTIAL FINANCE PROGRAM LOAN PROCEDURES

General

The General Resolution provides that Program Loans to be financed with moneys made available from the issuance of a series of Bonds shall satisfy any restrictions or covenants applicable to such Program Loans as shall be set forth in the related Supplemental Resolution. Nothing in the General Resolution requires that Program Loans be insured or guaranteed or that Program Loans be first lien loans. No assurance can be provided that Supplemental Resolutions adopted for future series of Bonds will not authorize the finance of Program Loans secured by subordinate liens, including without limitation, loans for downpayment and closing cost assistance and home improvement loans.

All Program Loans, or participations therein, to be financed with lendable proceeds of the Offered Bonds will be made in accordance with the Program Loan Procedures described below. The Issue 2015-2 Supplemental Resolution provides that the Program Loans to be financed with proceeds of Bonds shall be first lien loans (i) insured or guaranteed or have a commitment for insurance or guarantee by (a) the United States or any instrumentality thereof, (b) a private mortgage insurer qualified to issue such insurance or guarantee in the State and approved by THDA (for a description of certain mortgage insurance programs, including certain conditions on recovery and limitations on coverage, see Appendix B) or (c) any agency or instrumentality of the State authorized by law to issue such insurance; or (ii) made to borrowers who have an equity interest of at least 22% in the property based on the lesser of appraised value or the sale price and will be secured by a first lien on a fee simple or leasehold estate in real property located in the State.

In addition to the foregoing, THDA is in the process of implementing a program under which THDA approved originating agents would make loans to qualified borrowers to finance the purchase of qualified single-family residences in Tennessee and that are insured by private mortgage insurance issued by an entity acceptable to Fannie Mae. Such loans would be pooled and would back Program Securities guaranteed as to timely payment of principal and interest by Fannie Mae. THDA may purchase such Program Securities using bond proceeds and such purchased Program Securities may be held under the General Resolution. THDA may use a portion of the proceeds of the Offered Bonds to purchase Fannie Mae Securities although no assurances can be provided that THDA will do so. THDA does not expect to use proceeds of the Offered Bonds to directly purchase conventional loans backed by private mortgage insurance unless such loans are pooled into Program Securities. See Appendix C for additional information regarding Fannie Mae and Fannie Mae Securities.

Income and Acquisition Cost Limits

THDA limits the maximum gross annual household income for eligible borrowers and the maximum acquisition cost for homes financed by Program Loans in accordance with Section 143 of the Internal Revenue Code of 1986, as amended, and applicable regulations promulgated thereunder (the “Code”). The limits vary from county to county and are periodically adjusted.

THDA’s current income limits range from $56,280 to $93,660 depending on household size and geographic location. THDA’s income limits are equal to or less than the safe-harbor income limits established under the Code.

THDA’s acquisition cost limits are either within the safe-harbor limitations established under the Code or are established, based on procedures in the Code, using THDA’s actual data which justifies a higher limit. THDA’s current maximum acquisition cost limits range from $250,000 to $375,000 depending on geographic location. THDA acquisition cost limits are equal to or less than the safe-harbor acquisition cost limits established under the Code.

THDA has in the past and may, at any time, further restrict or otherwise modify income and acquisition cost limits for certain specialized Program Loans THDA may elect to finance.

Loan Origination

THDA’s Program Loans are originated by certain financial institutions located throughout the State who are approved by THDA to originate Program Loans in its behalf (“Originating Agents”). THDA may purchase Program Loans once they are closed by the Originating Agent or THDA may offer funds to Originating Agents on a “first-come, first-serve” basis prior to the closings of Program Loans. Originating Agents may charge borrowers a fee, up to 2% of the Program Loan amount, for originating Program Loans. The Originating Agents who may originate Program Loans from

Bond proceeds include mortgage banking firms, commercial banks, and credit unions. The lendable proceeds of the Bonds are made available throughout the State. See Appendix D for a description of THDA's Working Agreement with Originating Agents and Guide for Originating Agents.

THDA will set aside a portion of the lendable proceeds of an issue of Bonds to make Targeted Area loans for one year as necessary to comply with Section 143(j) of the Code. In the event any of the amounts so reserved by THDA for Targeted Areas remain at the end of the time period specified by the Code, THDA will offer such funds to its Originating Agents on a "first-come, first-serve" basis.

Requirements Imposed by the Code

Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes only if certain requirements are met, including (i) eligibility requirements for Program Loans and borrowers (see "Mortgage Eligibility Requirements" below), (ii) yield and investment requirements (see "Requirements Related to Arbitrage" below), and (iii) certain other requirements related to the Bonds and the use of proceeds of the Bonds, that are also imposed by the Code.

Covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to assure that the interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In addition, covenants in the Resolution obligate THDA to do and perform all acts and things permitted by law and necessary or desirable to comply with federal tax law and for such purpose, to adopt and maintain appropriate procedures. To comply with these covenants, THDA periodically reviews and modifies its procedures for Originating Agents and Servicers to the extent necessary to operate its single-family mortgage programs in compliance with federal tax law and has established procedures under which such requirements can be met. Such procedures include monitoring the Program Loan applications to be financed with Bond proceeds to ensure compliance with applicable acquisition cost and income limitations. THDA believes that the procedures established are sufficient to ensure that the Bonds will satisfy the requirements of the Code. In the opinion of Bond Counsel, the Guide for Originating Agents, the Guide for Servicers and the Resolution establish procedures under which, if followed, the requirements of applicable federal tax law can be met.

Mortgage Eligibility Requirements -- The Code requires that Program Loans financed with the proceeds of the Bonds meet certain mortgage eligibility requirements. THDA must, among other things, reasonably expect at the time each Program Loan is made that the borrower will make the residence financed by the Program Loan the borrower's principal residence within a reasonable time after the financing is provided. Under the procedures which THDA has established, the borrower must certify, at the closing of the Program Loan, that the borrower intends to make the financed residence the borrower's principal residence within sixty days, which is within the period considered reasonable under the Code.

In general, except with respect to Program Loans made in Targeted Areas and Program Loans made to qualified veterans, borrowers are not permitted to have had a present ownership interest in their principal residence during the three-year period prior to the date on which the Program Loan is closed. THDA will, in cases where the prior ownership limitation applies, require the borrower (i) to provide the most recent federal income tax return and (ii) to certify at the closing of the Program Loan that the borrower has not had a present ownership interest in a principal residence within the preceding three years. In addition, THDA will obtain credit reports for each borrower to determine prior ownership of a principal residence by the borrower.

THDA has established maximum acquisition costs for residences financed with proceeds of Bonds and maximum household income limits, all as permitted by the Code. From time to time, THDA may revise the maximum acquisition cost and the income limits, but in no event will THDA's acquisition cost limits or income limits exceed limits established as permitted under the Code. THDA requires the borrower to certify household income in connection with applying the income limits and requires the borrower and the seller to certify the acquisition cost of the financed residence. In addition, the Originating Agent is required to review the affidavits of the borrower and the seller and to determine that the Code requirements with respect to acquisition cost limits and income limits are met.

An existing Program Loan or any other existing loan may not be acquired or replaced with proceeds of a Program Loan except for certain initial temporary financing not exceeding a term of 24 months. THDA requires a borrower to certify, at the closing of a Program Loan, that the proceeds of the Program Loan will not be used to acquire or replace an existing loan. In addition, the Originating Agent is required to review the borrower's federal income tax returns for the preceding year (unless the borrower is not required to file such returns) and a credit report prior to closing to determine if the borrower has any outstanding loans which may have been acquired or replaced with proceeds of the Program Loan.

Program Loans cannot be assumed unless the principal residence, prior home ownership, income and acquisition cost requirements are met at the time of assumption. THDA requires that each of its Program Loans have a "due on sale" clause so that THDA may accelerate the Program Loan if it is assumed and all such requirements are not met. The FHA and VA allow a "due on sale" clause in their respective guaranteed Program Loan programs, provided that the borrower is fully informed and consents in writing to such requirements.

Under the Code, an issue of Bonds is treated as meeting the mortgage eligibility requirements if (i) the issuer in good faith attempted to meet all of the mortgage eligibility requirements before the mortgages were executed, (ii) any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered, and (iii) 95% or more of the lendable proceeds of the issue used to make Program Loans was devoted to finance residences which met all such mortgage eligibility requirements at the time the loans were executed or assumed. In determining whether 95% of the proceeds have been so used, THDA relies on an affidavit of the borrower (the "Borrower Affidavit") and of the seller (the "Seller Affidavit") and on examination of copies of the borrower's most recent federal income tax return, together with credit reports and other relevant documentation.

Requirements Related to Arbitrage -- The Code imposes certain arbitrage requirements in connection with Program Loans financed with the proceeds of Bonds. Generally, the yield on Program Loans financed with lendable proceeds of an issue of Bonds may not exceed the yield on such Bonds by more than 1 1/8% and the amount of funds held in certain accounts for such Bonds invested at a yield greater than the yield on such Bonds may not exceed 150% of the current year's debt service on such Bonds.

The Code also requires THDA to periodically rebate to the United States Treasury certain investment earnings on non-mortgage investments to the extent such investment earnings exceed the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the Bonds. THDA has established accounting procedures to determine the amount of such excess investment earnings.

Public Hearing and Approval Requirement -- The Code requires that qualified mortgage bonds be approved prior to issuance by the applicable elected official of the appropriate governmental unit, as specified by statute, after a public hearing held following reasonable public notice or by a voter referendum. THDA has adopted procedures to give public notice, to conduct public hearings, and to obtain approval from the Governor of the State to ensure compliance with the Code.

Reporting Requirement -- The Code requires the issuer of tax-exempt qualified mortgage bonds to submit to the IRS certain information with respect to the issuer and the particular issue, based on information and reasonable expectations determined as of the date of issue. In addition, each issuer must submit to the IRS a yearly report containing information with regard to the beneficiaries of the proceeds of Program Loans. THDA intends to file for each issue of tax-exempt mortgage bonds it issues, and for each year in which proceeds of any issue of tax-exempt qualified mortgage bonds are used to provide Program Loans, the information and reports required.

Certification Requirement -- The Code requires that the aggregate amount of all private activity bonds issued each year in Tennessee be within the volume limitation imposed on the principal amount of tax-exempt mortgage bonds which may be issued in Tennessee for that year. To meet this requirement, THDA requests a certification from an appropriate State official that an issue of tax-exempt qualified mortgage bonds is within the volume limitation and files such certification with the IRS or takes alternative action to satisfy this certification requirement.

Targeted Area Requirements -- THDA makes lendable proceeds of Bonds in amounts and for time periods as specified in the Code, available for financing qualified Program Loans for residences in Targeted Areas. Targeted Areas are those census tracts in the State in which seventy percent or more of the families have an income which is eighty percent or less of the statewide median family income or those areas of economic distress designated by the State and approved by the Secretaries of Housing and Urban Development and the Treasury under criteria specified in the Code. THDA has designated certain areas of the State as being in economic distress and such designation has been approved by HUD and the Treasury.

Monitoring for Compliance with the Mortgage Eligibility and Arbitrage Requirements -- Under the procedures which THDA has established to comply with the Code, Originating Agents are responsible for reviewing each Program Loan application and the accompanying documentation, including the Application Affidavit and the Seller Affidavit, for compliance with the Code. Originating Agents are required to take normal and appropriate measures to verify the information given, either independently or concurrently with credit review, when applicable. Originating Agents must cross-check all documentation to ensure that the information presented is complete and consistent. Originating Agents give warranties as to each Program Loan delivered to THDA that, among other things, each Program Loan is in compliance with the Code.

Prior to issuing a commitment to finance a Program Loan and again prior to financing a Program Loan, THDA reviews the Program Loan application submitted by the Originating Agent, which includes the borrower's application, the Application Affidavit, the Seller Affidavit, and the borrower's federal income tax returns, for compliance with the Code. To the extent that these provisions are not complied with, the Originating Agent is contacted to provide additional explanation or documentation to enable THDA to make a determination regarding the status of the Program Loan application. If the Originating Agent does not comply with requests from THDA to correct or complete documentation for any Program Loan or if the Originating Agent fails to comply with the Guide for Originating Agents (which failure is determined in the sole discretion of THDA without regard as to whether the Originating Agent may be at fault), or if the Originating Agent violates any other agreement with THDA, the Originating Agent is required to repurchase the Program Loan.

Loan Servicing

THDA has agreements with qualified financial institutions to service THDA Program Loans ("Servicers"). Originating Agents, who also qualify as Servicers, may service the Program Loans they originate. If an Originating Agent declines to service these Program Loans, the Originating Agent, with the approval of THDA, may choose another Servicer to do so. Servicers may be mortgage banking firms or commercial banks. THDA may also service Program Loans. A Servicer may transfer any or all of the Program Loans it services to another approved Servicer, with prior THDA approval. THDA Servicers currently are U.S. Bank and Magna Bank.

THDA requires regular reports from Servicers updating the total number of Program Loans serviced and providing certain information for each Program Loan including, without limitation, delinquency and foreclosure data. THDA's agreements with Servicers (the "Servicing Agreements") provide for the collection and remittance of Program Loan payments to THDA or a designated depository. The Servicers' records relating to serviced Program Loans are subject to examination by THDA's Single Family Programs and Internal Audit Divisions.

THDA provides each Servicer with a Guide for Servicers which sets forth complete requirements and procedures for servicing Program Loans. THDA may terminate any Servicing Agreement when there is inadequate performance by the Servicer. THDA may also require that a Servicer purchase any Program Loan from THDA at any time THDA suffers or is threatened with a material loss by reason of a Servicer's failure to perform its obligations with respect to the Program Loans under the Servicing Agreement. For information about Servicing Agreements and substantive requirements relating to servicing Program Loans, see Appendix D.

APPENDIX I

October 15, 2015

Tennessee Housing Development Agency
Andrew Jackson Building, 3rd Floor
502 Deaderick Street
Nashville, TN 37243-0200

Tennessee Housing Development Agency
Residential Finance Program Bonds
$43,070,000 Issue 2015-2A (AMT)
$131,930,000 Issue 2015-2B (Non-AMT)

Ladies and Gentlemen:

We have examined a record of proceedings related to the issuance and sale of $43,070,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2015-2A (AMT) (the "Issue 2015-2A Bonds") and $131,930,000 in aggregate principal amount of Residential Finance Program Bonds, Issue 2015-2B (Non-AMT) (the "Issue 2015-2B Bonds" and, together with the Issue 2015-2A Bonds, the "Issue 2015-2 Bonds") of the Tennessee Housing Development Agency ("THDA"), a body politic and corporate, constituting a political subdivision and instrumentality of the State of Tennessee (the "State"), organized and existing under the Tennessee Housing Development Agency Act, constituting Chapter 23 of Title 13 of the Tennessee Code Annotated, as amended (the "Act"), and other laws of the State. Capitalized terms used herein and not defined shall have the meanings set forth in the General Resolution (as hereinafter defined).

The Issue 2015-2 Bonds were authorized to be issued pursuant to the Act, the General Residential Finance Program Bond Resolution of THDA, adopted January 29, 2013, as amended and supplemented (the "General Resolution") and by a Resolution adopted by THDA on July 28, 2015, as amended and supplemented by a resolution of the Bond Finance Committee of THDA adopted on September 23, 2015 (together, the "Supplemental Resolution," and, together with the General Resolution, the "Resolution").

THDA is authorized to issue additional series of bonds upon the terms and conditions set forth in the General Resolution and such bonds are and, when issued, shall, with the Issue 2015-2 Bonds (collectively, the "Residential Finance Program Bonds") be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution.

The Issue 2015-2 Bonds mature in the years and in the respective principal amounts, bear interest at the respective rates and are otherwise as described in the Supplemental Resolution. The Issue 2015-2 Bonds are being issued to refund certain outstanding obligations of THDA and to make funds available to make or purchase Program Loans, as defined in the General Resolution, in accordance with the program of THDA permitted under the Resolution (the "Program").

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the Issue 2015-2 Bonds in order that interest on the Issue 2015-2 Bonds be excluded from gross income for purposes of federal income taxation. We have examined the Resolution and other relevant single family housing program documents which set forth such various federal tax law requirements which must be met by THDA. THDA has covenanted in the Resolution to comply with such requirements of federal tax law and for such purpose, to adopt and maintain appropriate procedures.

Based upon the foregoing we are of the opinion that:

1. Under the Constitution and laws of the State, THDA has lawful power and authority, among other things, to carry out the Program, to provide funds therefor by the adoption of the Resolution and the issuance and sale of the Issue 2015-2 Bonds and to perform its obligations under the terms and conditions of the Resolution, including the financing of single family mortgage loans and collecting and enforcing the collection of revenues and prepayments as covenanted in the Resolution.

2. The Resolution has been duly adopted by THDA and is valid and binding upon THDA.

3. The Issue 2015-2 Bonds are valid and legally binding special, limited obligations of THDA and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

4. The Resolution creates, for the benefit of the holders of the Residential Finance Program Bonds, including the Issue 2015-2 Bonds, the valid pledge of and lien on revenues, as defined in the Resolution, and moneys and securities held or set aside or to be held or set aside in the Funds and Accounts established thereunder, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

5. Pursuant to the Resolution, THDA has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to make or purchase mortgage loans under the Program with the proceeds of the Issue 2015-2 Bonds, to do all acts and things necessary to receive and collect revenues and, when applicable, prepayments.

6. The Issue 2015-2 Bonds do not constitute a debt or liability or obligation of the State or a pledge of its full faith and credit or of its taxing power and are payable solely from the funds provided therefor pursuant to the Resolution and the Act.

7. Under existing federal laws as presently enacted and construed and assuming continuing compliance by THDA with the covenants concerning federal tax described above, (i) interest on the Issue 2015-2 Bonds is excluded from gross income of the owners thereof for federal income tax purposes; (ii) interest on the Issue 2015-2A Bonds will be treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, (iii) interest on the Issue 2015-2B Bonds <u>will not be</u> treated as a preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, and (iv) interest on the Issue 2015-2B Bonds <u>will not be</u> included in corporations' calculations of adjusted current earnings under the alternative minimum tax provisions of the Code.

8. Under the laws of the State as enacted and construed on the date hereof, the interest on the Issue 2015-2 Bonds is exempt from the income tax imposed by the State on interest income; however, the Issue 2015-2 Bonds and the interest received thereon are included in the measure of privilege taxes imposed by the State.

In addition to the opinions set forth in paragraph (7) above, certain individual owners of the Issue 2015-2 Bonds may have to take interest on such Issue 2015-2 Bonds into account for the purpose of calculating the amount of social security or railroad retirement benefits includible in gross income of such owners for federal income tax purposes. All owners of the Issue 2015-2 Bonds (including, but not limited to, insurance companies, financial institutions, S corporations and United States branches of foreign corporations) should consult their tax advisors concerning the effects of these and other applicable provisions of the Code on their individual tax liabilities. The extent of certain indirect tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Resolution and the Issue 2015-2 Bonds may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We express no opinion herein as to the adequacy or accuracy of the Official Statement pertaining to the issuance of the Issue 2015-2 Bonds.

Very truly yours,

HISTORIC DELINQUENCIES AND FORECLOSURES*

Delinquencies and Foreclosures as of June 30, 2015

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.91%, based on a total of 7,789 Program Loans as of June 30, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of June 30, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2015, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF JUNE 30, 2015

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% of Total Number by Loan Type
FHA Insured	127	$ 9,535,248	1.92%	1.63%[4]
VA Guaranteed	3	237,466	1.49	0.86
Privately Insured	1	86,579	0.58	0.46
USDA/RD Guaranteed	13	836,227	2.52	(5)
Uninsured	5	257,152	1.72	(5)
TOTAL	149	$10,952,672[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.47%, based on a total of 7,789 Program Loans as of June 30, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of June 30, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending June 30, 2015, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF JUNE 30, 2015

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% of Total Number by Loan Type
FHA Insured	239	$18,336,027	3.62%	2.71%[4]
VA Guaranteed	5	317,110	2.48	1.90
Privately Insured	4	151,532	2.31	0.89
USDA/RD Guaranteed	21	1,442,129	4.07	(5)
Uninsured	1	77,780	0.34	(5)
TOTAL	270	$20,324,578[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending June 30, 2015.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

*Delinquency and foreclosure data includes Program Loans transferred to the General Resolution in connection with prior Bond issuances and Program Loans financed with the proceeds of prior Bonds issuances under the General Resolution. The delinquency and foreclosure data also includes data regarding 1974 General Resolution Transferred Loans transferred to the General Resolution as of June 30, 2014. The delinquency and foreclosure data does not include data regarding Transferred Program Loans expected to be transferred to the General Resolution in connection with the Offered Bonds.

The overall rate of Program Loans in foreclosure was 0.81%, based on a total of 7,789 Program Loans as of June 30, 2015 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of June 30, 2015 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending June 30, 2014, are as follows:

IN FORECLOSURE AS OF JUNE 30, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	52	$4,645,584	0.79%	1.84%[4]
VA Guaranteed	1	38,722	0.50	1.05
Privately Insured	4	148,859	2.31	0.36
USDA/RD Guaranteed	5	337,602	0.97	[5]
Uninsured	1	44,499	0.34	[5]
TOTAL	63	$5,215,266[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended June 30, 2015.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of March 31, 2015

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.42%, based on a total of 7,023 Program Loans as of March 31, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of March 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2015, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF MARCH 31, 2015

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	88	$7,084,918	1.49%	1.26%[4]
VA Guaranteed	1	75,328	0.53	0.81
Privately Insured	0	0	0.00	0.40
USDA/RD Guaranteed	8	537,372	1.67	[5]
Uninsured	3	182,962	1.10	[5]
TOTAL	100	$7,880,580[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2015.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.03%, based on a total of 7,023 Program Loans as of March 31, 2015 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of March 31, 2015 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending March 31, 2015, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF MARCH 31, 2015

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	249	$17,641,440	4.21%	2.85%[4]
VA Guaranteed	5	261,355	2.67	2.11
Privately Insured	9	303,863	5.29	0.96
USDA/RD Guaranteed	20	1,298,393	4.18	(5)
Uninsured	0	0	0.00	(5)
TOTAL	283	$19,505,051[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2015.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.27%, based on a total of 7,023 Program Loans as of March 31, 2015 (unaudited).

The foreclosure rate by loan type for Program Loans in foreclosure as of March 31, 2015 (unaudited), compared to the percent of principal amount of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending March 31, 2015, are as follows:

IN FORECLOSURE AS OF MARCH 31, 2015

	Program Loans			**MBA**[3]
Type of Mortgage	**Number**	**Outstanding Balance**[1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	18	$1,032,909	0.30%	1.84%[4]
VA Guaranteed	1	112,047	0.53	1.20
Privately Insured	0	0	0.00	0.47
USDA/RD Guaranteed	0	0	0.00	(5)
Uninsured	0	0	0.00	(5)
TOTAL	19	$1,144,956[2]		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending March 31, 2015.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these categories.

Delinquencies and Foreclosures as of December 31, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 2.03%, based on a total of 6,758 Program Loans as of December 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of December 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF DECEMBER 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% of Total Number by Loan Type
FHA Insured	122	$8,938,300	2.17%	1.85%[4]
VA Guaranteed	3	173,469	1.58	1.06
Privately Insured	1	9,960	0.56	0.53
USDA/RD Guaranteed	9	732,401	1.87	(5)
Uninsured	2	37,833	0.73	(5)
TOTAL	137	$9,891,963[2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending December 31, 2014.

(4) FHA fixed rate mortgage loans

(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 4.39%, based on a total of 6,758 Program Loans as of December 31, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of December 31, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending December 31, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF DECEMBER 31, 2014

	Program Loans			MBA[3]
Type of Mortgage	Number	Outstanding Balance [1]	% of Total Number by Type of Program Loan	% of Total Number by Loan Type
FHA Insured	261	$18,048,346	4.63%	3.25%[4]
VA Guaranteed	7	524,838	3.68	2.32
Privately Insured	7	276,881	3.93	1.08
USDA/RD Guaranteed	22	1,271,157	4.56	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	297	$20,121,222[2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ending December 31, 2014.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.37%, based on a total of 6,758 Program Loans as of December 31, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of December 31, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending December 31, 2014, are as follows:

IN FORECLOSURE AS OF DECEMBER 31, 2014

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	23	$1,461,028	0.41%	1.86%(4)
VA Guaranteed	2	261,582	1.05	1.08
Privately Insured	0	0.00	0.00	0.50
USDA/RD Guaranteed.........	0	0.00	0.00	(5)
Uninsured..........................	0	0.00	0.00	(5)
TOTAL	25	$1,722,610(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ended December 31, 2014.
(4) FHA fixed rate mortgage loans.
(5) MBA does not report data in these

Delinquencies and Foreclosures as of September 30, 2014

The overall delinquency rate for Program Loans that were sixty (60) to eighty-nine (89) days past due was 1.82%, based on a total of 5,998 Program Loans as of September 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were sixty (60) to eighty-nine (89) days past due as of September 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2014, are shown in the following table:

60 TO 89 DAYS PAST DUE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA(3)
Type of Mortgage	**Number**	**Outstanding Balance** (1)	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	94	$5,963,707	1.89%	1.73%(4)
VA Guaranteed	2	53,045	1.13	1.07
Privately Insured	2	103,933	1.14	0.54
USDA/RD Guaranteed.........	11	708,168	2.66	(5)
Uninsured..........................	0	0.00	0.00	(5)
TOTAL	109	$6,828,853(2)		

(1) Rounded figures.
(2) Rounded total.
(3) MBA data for Tennessee for the quarter ending September 30, 2014.
(4) FHA fixed rate mortgage loans
(5) MBA does not report data in these categories.

The overall delinquency rate for Program Loans that were ninety (90) days past due was 3.78%, based on a total of 5,998 Program Loans as of September 30, 2014 (unaudited).

Delinquency rates by loan type for Program Loans that were ninety (90) days past due as of September 30, 2014 (unaudited), compared with the delinquency rates reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for fixed rate mortgages for the quarter ending September 30, 2014, are shown in the following table:

90 DAYS OR MORE PAST DUE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	198	$12,664,651	3.98%	3.85%[4]
VA Guaranteed	6	409,770	3.39	2.43
Privately Insured	6	225,959	3.43	1.08
USDA/RD Guaranteed	16	1,006,127	3.86	(5)
Uninsured	1	12,988	0.39	(5)
TOTAL	227	$14,319,495[2]		

(1) Rounded figures.

(2) Rounded total,

(3) MBA data for Tennessee for the quarter ending September 30, 2014.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these categories.

The overall rate of Program Loans in foreclosure was 0.73%, based on a total of 5,998 Program Loans as of September 30, 2014 (unaudited).

The foreclosure rate by loan type for Program Loans, in foreclosure as of September 30, 2014 (unaudited), compared to the percent of loans in foreclosure reported for Tennessee by MBA in its National Delinquency Survey, by loan type, for the quarter ending September 30, 2014, are as follows:

IN FORECLOSURE AS OF SEPTEMBER 30, 2014

	Program Loans			MBA[3]
Type of Mortgage	**Number**	**Outstanding Balance** [1]	**% of Total Number by Type of Program Loan**	**% of Total Number by Loan Type**
FHA Insured	36	$2,303,353	0.72%	1.82%[4]
VA Guaranteed	2	155,181	1.13	1.12
Privately Insured	5	276,355	2.86	0.52
USDA/RD Guaranteed	1	69,373	0.24	(5)
Uninsured	0	0.00	0.00	(5)
TOTAL	44	$2,804,262[2]		

(1) Rounded figures.

(2) Rounded total.

(3) MBA data for Tennessee for the quarter ended September 30, 2014.

(4) FHA fixed rate mortgage loans.

(5) MBA does not report data in these

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